

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

COLUMBIA, SOUTH CAROLINA

[Hearing Held in Lake Wylie, York County, SC]

HEARING #10786

June 12, 2006

6:30 P.M.

DOCKET NO. 2006-92-WS: **CAROLINA WATER SERVICE INC.** – *Application for Adjustment of Rates and Charges for the Provision of Water and Sewer Service.*

HEARING BEFORE: CHAIRMAN Randy MITCHELL, Presiding; VICE CHAIRMAN G. O’Neal HAMILTON and COMMISSIONERS John E. “Butch” HOWARD, David A. WRIGHT, Elizabeth B. Lib FLEMING, Mignon L. CLYBURN, and C. Robert MOSELEY.

Legal Advisor to Commissioners: Charles L. A. Terreni, Esq., Chief Clerk/Administrator

STAFF: Jocelyn G. Boyd, Deputy Clerk; James B. Spearman, PhD., Executive Assistant to Commissioners; MaryJane Cooper, Court Reporter.

APPEARANCES: John M. S. Hoefler, Esq., representing CAROLINA WATER SERVICE, INC., **Applicant.**

Lessie C. Hammonds, Esq., representing THE OFFICE OF REGULATORY STAFF.

**TRANSCRIPT OF TESTIMONY AND PROCEEDINGS
VOLUME 2**

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CHAIRMAN MITCHELL: We certainly welcome

each one of you out tonight.

[adjusting of sound system]

CHAIRMAN MITCHELL: On behalf of the South Carolina Public Service Commission, we certainly welcome each and every person here tonight for this hearing. We want you to feel at home. We don't want you to feel like you're rushed in any manner. We're here to listen to you. We're going to ask you – all the people that wish to address the Commission, you know, you have a sign-up, and you'll come forward and speak at the podium, please, and be sworn in.

I would like to introduce the Commissioners that are here tonight. At my far left is Butch Howard, beside him is David Wright, and Bob Moseley, and to my far right, Lib Fleming, Mignon Clyburn, and O'Neal Hamilton serves as Vice Chairman of the Public Service Commission. My name is Randy Mitchell, and I'm the Chairman.

To my left, we have Charlie Terreni who is the attorney that will be assisting the Commission tonight. At this time I want to ask him, if he would, go into a short detail of the purpose of this meeting tonight and how it will be carried forward into our larger hearing.

MR. TERRENI: Thank you, Mr. Chairman.

I'll begin by reading the Docket into the record for

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our Court Reporter so that we'll be able to identify this transcript. This is Docket No. 2006-92-WS. Mr. Chairman and Members of the Commission, this matter comes before the Commission by way of Docket No. 2006-92-WS regarding the Application of Carolina Water Service, Inc. for an adjustment of rates and charges for the provision of water and sewer service.

Of course, this is the public hearing that's being held, beginning at 6:30 p.m. on Monday, June 12, 2006, in the gymnasium of River Hills Community Church at 103 Hamilton Ferry Road, Lake Wylie, South Carolina 29710. The merits hearing in this Docket will be held at the Commission's hearing room, Synergy Business Park, 101 Executive Center Drive, Columbia, South Carolina, on Thursday, July 20, 2006, and Friday, July 21, 2006, at 10:30 a.m.

Mr. Chairman and Members of the Commission, the Docket is in order.

I'll take a couple of minutes to introduce everybody, it's folks that you'll need to identify for your own purposes tonight. My name is Charlie Terreni. I'm the Chief Clerk and Administrator of the Commission. The Chairman has introduced the Commissioners. Our Deputy Clerk, Jocelyn Boyd, is in the back of the room. [Jocelyn, please raise your hand] She is going to swear our witnesses in when

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1 they come up and testify, so you'll be seeing Jocelyn up
2 here.

3 To the Commission's right and your left is Ms. Lessie
4 Hammonds, who is an attorney with the Office of Regulatory
5 Staff. The Office of Regulatory Staff represents the public
6 interest in this matter. Ms. Hammonds will be here today
7 representing the public interest.

8 Mr. John Hoefler is here, and he's an attorney
9 representing Carolina Water Service. Mr. Hoefler will be
10 here participating throughout the evening.

11 We also want to tell you that in just a moment we'll
12 be calling the names of those people that have signed up to
13 speak, and we're going to ask you to come forward and give
14 your testimony before the Commission regarding the
15 proposed rate increase in this matter.

16 First of all, I'd like to go over a few ground rules
17 with you. First of all, everything you have to say will be
18 put into the record of this case by our Court Reporter,
19 Ms. Mary Jane Cooper, who is sitting to my left and your
20 right. As I mentioned earlier, you'll be sworn in prior to
21 giving your statement, and you'll need to state your name
22 and address after being sworn in and please speak
23 clearly into the microphone, as we're finding out tonight.

24 The reason that we require you to testify under oath is
25 this is part of the record of the Commission's case, and

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this is going to be evidence that is used in the case of Carolina Water Service’s request for a rate increase. For those reasons, it’s important that the Commission receive your testimony under oath and also it’s for those reasons, the attorneys in the proceeding here will have the opportunity to ask you questions following the conclusions of your testimonies, and the Commissioners as well may have some questions to ask you throughout this proceeding.

If you speak at tonight’s hearing, you will have one chance to speak tonight, but not at the hearing in Columbia. So, if for some reason you’d prefer to speak at the hearing that will be held in Columbia, there will be an opportunity for the public to speak in Columbia at the hearing, the conclusion of this docket, then you’ll need to defer until that time. But, if you speak tonight, again, this will be considered by the Commission in its deliberations later on. If you have filed as an intervenor in this case, that is if you have filed and requested to intervene as a party in this case, not as just a witness, then you will also need to wait until Columbia to speak.

Tonight, the focus is on you. The Commission has come to this community to hear from you to make it easier for you to present your views regarding this matter. Obviously, there are a lot of folks here, and it says something about the fact that you’ve got something

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to say. The Commission wants to hear from you tonight.

At the same time, the Commission is not here in a position and cannot, because of the Rules of Professional Conduct which govern this Commission, answer questions. That’s why we have folks from Carolina Water Service and the Office of Regulatory Staff. The Commission is here to gather your testimony, but just as a judge in a case couldn’t engage in dialogue about a case in the middle of a trial, the Commission can’t do so tonight. That’s to preserve the integrity of the record and to make sure that what you have to say today can be considered during the deliberations of this case.

We will follow from here, Mr. Chairman, if you’re ready, and we’ll call the names of the participants. Again, we’ll ask you to step up one by one to the podium there and speak into the microphone after you’ve been sworn.

I also want to point out Mr. Dukes Scott that’s here. He is the Head of the Office of Regulatory Staff. He’s back there in the corner, standing. Again, the ORS is the office that represents the public interest, and they’re in essence here to represent your interest as well, and so if you have concerns and matters to discuss, as I mentioned earlier, the Commission can’t engage in a conversation [inaudible], but Mr. Scott and his Staff are here.

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Mr. Chairman, are we ready?

CHAIRMAN MITCHELL: Yes, we are. Thank you, Mr. Terreni.

First, I would like to recognize Mr. Perry Johnston, I believe he is the County Councilman that represents York County in this area. Mr. Johnston, you'd like to address [inaudible], we'd certainly appreciate you coming forward.

MR. HOEFER: Mr. Chairman, if it would please the Commission.

CHAIRMAN MITCHELL: Yes, Mr. Hoefer.

MR. HOEFER: I wanted before the testimony began to repeat the same objection that I gave at the first night hearing in this Docket; if I could do that before the first witness is sworn.

CHAIRMAN MITCHELL: Certainly, yes, you can.

MR. HOEFER: Thank you, Mr. Chairman.

The Applicant would like to state at this time its objection to customer testimony consisting of unsubstantiated complaints regarding customer service, quality of service, or customer relations issues. The basis for this objection is that the receipt and reliance upon such testimony would deny the Applicant due process of law, permit the complaint procedures established under law and the Commission's regulations to be circumvented and is an

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inappropriate basis for the determining just and reasonable rates. The cases I would cite to the Commission are *Patton vs. Public Service Commission* 312 S.E. 2nd 257; Court of Common Pleas Order, and *Tega Cay Water Service, Inc. vs. PSC*, Docket No. 97-CP-40-0923, and the Commission’s Order No. 1999-191, Docket No. 96-137-WS. The Applicant would request that this objection be deemed a continuing objection such that there would not be a need for repeated objections each time a customer testifies to matters of this nature and cites in support of that request for the continuing objection, the case of *State v. Douglas*, 626 S.E. 2nd 59. This continuing objection would also apply to documents and testimony elicited from customers under examination by the Office of Regulatory Staff or the Commission, and we would ask that the Commission, the Chairman defer ruling on the continuing objection until a final order is issued in this case.

CHAIRMAN MITCHELL: Thank you, sir.

Ms. Hammonds, do you have a response?

MS. HAMMONDS: I do, Mr. Chairman. While we don’t oppose the procedure by which the Company has proposed to handle the continuing objection, we do not agree that a complaint has to be substantiated in any other way aside from the testimony given, and therefore,

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it’s our belief that the testimony that the Company objects to is admissible for purposes of the night hearing. We also do not believe the legal authorities cited by the Company fully support their position concerning the continuing objection. We ask the Commission to take notice of our position. We also would like to reserve our right to respond in writing to the Company’s basis for its continuing objection and to respond to the Company’s objection regarding information elicited by the Commissioners or by ORS.

In addition, ORS would request that the Company submit, file a letter with the Commission, within a reasonable time after this night hearing and after a chance that they have reviewed the transcript, submit a letter that would be posted on the Commission’s website and it would set forth the specific portions of the testimony to which they are objecting to under the continuing objection. They would also state the reasons for the Company’s objection and the identity of the speaker. That way, Mr. Chairman, we feel like the public would have an opportunity to go on the website, see exactly what the testimony is that the Company is objecting to. We think that’s a reasonable request, and we hope that’s something the Company would agree to do.

CHAIRMAN MITCHELL: Thank you, Ms. Hammonds.

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Mr. Hoefer?

MR. HOEFER: Mr. Chairman, the Company does agree with the procedure that Ms. Hammonds outlined.

CHAIRMAN MITCHELL: Certainly. We will move forward with our hearing tonight just as was scheduled, and we'll let you – certainly issue any ruling in our final order.

Mr. Johnston, if you would please.

[Applause]

WHEREUPON, Perry Johnston first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF MR. JOHNSTON:

Perry Johnston, 5001 Lake Mist Drive, Lake Wylie, South Carolina. Good evening to the Members of the Public Service Commission. Thank you for holding this public hearing. I'm here as this District's elected official on the York County Council, and by law, I'm not allowed to speak for or against the Company with which the County has a contract.

However, it is my responsibility to request that your Commission take a mutual stand on this requested increase and listen closely to the information which will be presented here tonight. This is not just a group of citizens who don't want to have another increase in their water or sewer bills, but a group of citizens who have requested breakdowns and knowledge of Carolina Water system, both locally and statewide, looking for justification on their own of this and past rate

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1 increases. The opinion of a lot of these citizens are they are being used as a small
2 percentage of a larger state and or regional system to cover the operating and
3 maintenance costs of the whole, representing poorly managed or extremely
4 inefficient subsystems in other areas of the state or region. I would assume that
5 this Commission would have on hand a detailed audit of each of these
6 subsystems statewide before making your decisions. We're requesting detailed
7 breakdowns so that we can better understand the need for the continuing rate
8 increases.

9 This Commission has seven members elected by the General Assembly,
10 one from each of the six Congressional Districts and one at-large. Mr. Hamilton, I
11 think you're the representative of this Fifth District, and we appreciate what you're
12 doing for us, and as Vice-Chair, I would like to request this information that you
13 would please get back to these folks with. I will also be making this request of the
14 Public Utility Review Committee. They have three members of the Senate, three
15 members of the House, two appointed by the Chairman of the Senate Judiciary
16 Committee, and two by the Speaker of the House. The Office of Regulatory Staff
17 was created; some of those members are here tonight obviously, was created by
18 Act 175 of 2004, and is charged with representing the public interest in the utility
19 regulation. Act 175 defines public interest as a balance among three essential
20 components: the concerns of the using and consuming public, which are these
21 folks here tonight; the financial integrity of public utilities, which is Carolina Water
22 Service; and, the economic development of South Carolina. Those are the three
23 essential tasks that the Office of Regulatory Staff has been charged with.

24 I now want to speak on economic development in South Carolina, but more
25 especially here in York County. Since you folks come from Columbia, Saluda,

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1 Spartanburg, Bennettsville, Irmo, and two from Charleston, which is a long way,
 2 and we do appreciate you coming up here to York County. I want you to
 3 understand that York County is the second fastest growing county in the state, and
 4 this is residential growth, outrunning commercial and industrial growth at a very
 5 fast pace. The constant approval of rate increases in water/sewer here is a huge
 6 deterrent to attracting and retaining businesses here in this district. Without
 7 industry, our costs to serve the public will continue to increase. I ask that you
 8 consider this impact on economic development in your decision-making process.

9 Thank you for this opportunity to speak, and I would like – now I’d like to
 10 turn it over to Mr. Al Greene, our County Manager, to briefly review with you and
 11 our citizens, York County’s rate history and where the funding is going for
 12 infrastructure and maintenance, if that’s okay.

13 CHAIRMAN MITCHELL: Certainly.

14 MR. JOHNSTON: Thank you.

15 *[Applause]*

16 **WHEREUPON, Al Greene** first being duly sworn,
 17 assumes the stand and testifies as follows:

18 MS. BOYD: If you would, please state your name and
 19 address for the record?

20 **TESTIMONY OF MR. GREENE:**

21 I’m Al Greene, York County Manager. My address is Post Office Box 66, York,
 22 South Carolina. I won’t repeat much of what Mr. Johnston said, but I do want to
 23 talk a little bit about the county’s rate structure and increases, so you will have
 24 some understanding of what may or may not be justified from a pass-through
 25 standpoint.

1 York County built a system that connected Lake Wylie to the water system
2 of the City of York and the wastewater system of the City of Rock Hill. Beginning in
3 1995, at that time, we issued approximately a \$19 million bond referendum to
4 cover those costs and also similar substantial costs in the Fort Mill Township to
5 build the county system, you might say. We put in place at that time a 5% increase
6 in rates for '95, '96 and '97 to help cover the debt service. With that significant
7 bond issue, we had a very small customer base at the time. It was a somewhat
8 speculative bond issue for us. We were unrated, and we had to acquire bond
9 insurance for that revenue bond issue to fly.

10 Since 1997, we've had one 5% increase in our user fees and our charges
11 for water and sewer, and that was in 2002 when we did another much smaller
12 bond referendum for capital improvements. We have a capital plan that is long-
13 term and ongoing. We're constantly upgrading our system. We built an elevated
14 storage tank just south of here; that will be on-line very soon. A sewage
15 equalization basin to handle the flow from this community that will be on-line within
16 the year, a multi-million dollar project there. So, we are constantly reinvesting into
17 our system, and we've done that without the need for substantial rate increases.
18 Again, we've only had one 5% increase since 1997.

19 During that same time, we purchased all of our water and wastewater
20 treatment from other systems. We don't treat water or wastewater. We buy water
21 from Charlotte-Mecklenburg Utilities. During the period from 1995, we've incurred
22 overall 20% or 4% or 5% increases. Our rates from Charlotte-Mecklenburg Utilities
23 for water increased 190%. Our rates from Fort Mill where we buy water increased
24 6% and that was due – the reason that's been so low is we renegotiated a contract
25 in a manner that was favorable to the county. Our increases or charges for water

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1 from Rock Hill have increased 34% and from Rock Hill the sewer rates have
2 increased 76%. So, we think we've done a very good job of managing our rates,
3 and also we invest in capital in the system, and we don't believe that from a pass-
4 through standpoint, pass-through charges is a result of county increases. The rate
5 increases can be justified for the Lake Wylie area served by the Company, and I
6 would agree with Council member Johnston, I think a close look at the accounting
7 of this system as it stands alone, separate from the other systems that are
8 combined in the typical accounting for ratemaking, would probably indicate, based
9 on my assumption or the perception or the lack of appearance of any significant
10 capital improvements or investment by the Company in this area, that the
11 significant profits are leaving this area and subsidizing other systems of theirs in
12 South Carolina, and that is an assumption, but I think a close look at the
13 accounting will tell whether or not that assumption is valid or not. If it is, then the
14 folks in this area I think have a concern about some equity and why they should be
15 subsidizing those other systems.

16 My only other comment has to do with customer service, public service.
17 From my office, the calls that I get from time to time, Mr. Johnston who has heard
18 from constituents [inaudible], there does seem to be confusion among the folks
19 here in Lake Wylie.

20 MR. HOEFER: Mr. Chairman, I need to object on the
21 grounds of hearsay. He's quoting what Mr. Johnston told
22 him, and he's quoting what other customers might have told
23 Mr. Johnston.

24 CHAIRMAN MITCHELL: Yes, sir, if you would, just
25 give us directly what your view is.

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1 [Mr. Greene] I believe there is some concern with the customer service. I received, as an
2 example, a call from a gentleman directly to me –

3 MR.HOEFER: Mr. Chairman, I'll have to renew my
4 objection. He's going to tell you what someone else told him.

5 CHAIRMAN MITCHELL: We're going to take his
6 objection under advisement.

7 Please proceed.

8 [Mr. Greene] One example within the recent few weeks, a gentleman who was
9 attempting to open up a Bojangles' Restaurant in Lake Wylie called me in
10 frustration that he had been trying for, he said, a month to find out what the tap
11 fees would be for his business and was unable to get an answer. So, those are –
12 that's my perception of some of the kinds of problems folks up here are having in
13 communicating with the Company.

14 CHAIRMAN MITCHELL: Thank you, sir.

15 MR. GREENE: Thank you. It's been a pleasure.

16 CHAIRMAN MITCHELL: Do we have any questions
17 for Mr. Greene? Commissioner Clyburn.

18 **EXAMINATION BY COMMISSIONER CLYBURN:**

19 Q Mr. Greene, good evening. I wanted to ask you – you made mention of – you gave
20 us an excellent overview of the system, starting in 1995. I wanted to know, you
21 made mention that things started out with a relatively small base. When you say
22 relatively small, can you give me a solid figure on what things looked in 1995 and
23 what things look like today?

24 A Yes, ma'am. In 1995, or actually in 1994, when we begin to plan for the bond
25 referendum, we had very few customers. For example, Carolina Water Service

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1 was not tied onto our system. This was a huge wholesale customer base that
2 allowed us to get into the business. Also, Tega Cay Utilities [inaudible] township
3 was not part of our system. We probably had fewer than a couple of hundred retail
4 customers at that time and to float a \$19 million bond issue with that small a
5 customer base was fairly risky.

6 Q At present day, what are we talking about?

7 A Oh, I think we have at least 4,000 or 5,000 retail and then we have probably close
8 to an equal number who are wholesale areas, so the system has grown
9 dramatically.

10 Q Okay. In terms of – you mentioned that in terms of your source of inflow and
11 outflow, for lack of better terminology. You mentioned three systems, well, three
12 entities, Charlotte, Fort Mill, and Rock Hill where you buy water, and in one case
13 have a sewer equalization agreement with. Can you give me a breakdown
14 percentile-wise as to, you know, you made mention that the Charlotte impact has
15 been a 190% increase in terms of rate structure. In terms of what we're looking at
16 as it relates to your class of customers, what's the weight in terms of those three
17 entities in terms of your purchased weight?

18 A That's an excellent question. I can't give you a definitive answer tonight. I'll be glad
19 to supply records to the Commission if you would like.

20 CHAIRMAN MITCHELL: Yes, sir, we can hold that
21 open for a late filed exhibit, if you could do that at a later
22 date.

23 MR. GREENE: I would prefer to do that than give you
24 something that's not accurate.

25 CHAIRMAN MITCHELL: We can do that, sir. We'll

1 do that. By our records, we'll hold that as a late filed exhibit.

2 CHAIRMAN MITCHELL: Commissioner Hamilton

3 has a question.

4 **EXAMINATION BY VICE CHAIRMAN HAMILTON:**

5 Q Mr. Greene, did I understand you correctly that your wholesale [inaudible] water
6 has been two 5% increases since '97?

7 A Yes, sir, including one in '97 and another in 2002. There, of course, was a 5% in
8 '95 and 5% in '96 as well.

9 Q When – you started with them in '95 – supplying their water [inaudible].

10 A I can't recall when the connections were actually made, initiated the service, but it
11 was in the '95 to '96 timeframe.

12 Q Thank you, sir.

13 A Yes, sir.

14 **EXAMINATION BY CHAIRMAN MITCHELL:**

15 Q Could you touch on just briefly – I believe you mentioned some certain complaints
16 as far as comparison of any complaints maybe with the town and with the
17 Company here. Are you aware of those personally yourself, the different
18 complaints and maybe the volume – it being any different?

19 A The volume, I have no idea. It would probably be fairly rare that I would hear of a
20 complaint. They would probably go through other channels, but on occasion I do
21 hear complaints and when constituents call us, we do attempt to contact the
22 Company directly for those customers.

23 Q Thank you, sir.

24 CHAIRMAN MITCHELL: Any other questions?

25 [No Response]

1 Thank you very much.

2 MR. HOEFER: Mr. Chairman.

3 CHAIRMAN MITCHELL: Yes.

4 MR. HOEFER: I do have a few questions for Mr.

5 Greene.

6 CHAIRMAN MITCHELL: Yes, I'm sorry, Mr. Hoefer.

7 MR. HOEFER: Thank you, Mr. Chairman.

8 **CROSS EXAMINATION BY MR. HOEFER:**

9 Q Mr. Greene, you indicated that when y'all floated your bond, I think you said – was
10 it '94?

11 A '94, '95.

12 Q You indicated that was a risky bond float.

13 A It was more so than our local government typically likes to -s feels comfortable
14 with, yes.

15 Q Is it fair to say when the county needed the revenue that it would be generated
16 from certain customers in River Hills subdivision in order to do that bond float?

17 A Yes, that is fair to say.

18 Q The county does get financing for its system through the municipal and
19 governmental bond market, correct?

20 A Yes, sir, we do.

21 Q And, those rates would be lower than what would be available commercially and
22 lending institutions, is that not correct?

23 A I would assume that they would be.

24 Q Well, does the county go borrow money like that from commercial lending
25 institutions?

1 A I'm not a financial expert. I can't answer the question. To the best of my
2 knowledge, the rates that we get, and we cannot use general [inaudible] bonds;
3 we're limited to revenue bonds, but I would assume that those are probably
4 favorable to most private companies.

5 Q Well, [inaudible] private companies are [inaudible] revenue bonds in South
6 Carolina? Do you know?

7 A I don't have an opinion on that, Mr. Hoefer.

8 Q Has the county refinanced its bonds since 1994?

9 A Yes, sir. We did some refinancing in 2002 that included some new financing as
10 well.

11 Q And, you got a lower interest rate?

12 A Yes, slightly lower. There was some moderate savings to us.

13 Q Did you reduce the rates or the charges to customers for bulk service?

14 A No, sir, because that offset the amount of new money that we were receiving in
15 2002 for capital improvements.

16 Q You mentioned earlier that you had spoken with someone, who's not been
17 identified, about a tap fee; couldn't find out the amount of a tap fee. Do you know
18 to your own knowledge whether your county's tap fee is higher than Carolina
19 Water Service's tap fee for water and sewer residential?

20 A I'm not aware of what Carolina Water Service's tap fees are.

21 Q Okay. Thank you. No more questions sir.

22 A Thank you.

23 [Applause]

24 CHAIRMAN MITCHELL: I'll call on Representative

25 Herb Kirsh at this time, if he'd like to come forward. We

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appreciate Mr. Kirsh being here. He does a splendid job of representing the people in Columbia.

[Applause]

WHEREUPON, Representative Herb Kirsh first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF Mr. Kirsh:

My name is Herb Kirsh. I live at 105 Bellwood Drive in Clover, South Carolina. If you take the “C” off, it spells lover and that’s me. *[Laughter from audience]* First of all, let me thank all of you for being here tonight. As you see, we’ve got a lot of people here that’s interested in what you’re doing and what we’re doing here. I want to thank all these people for being here too because this is an important subject to them. I have a written statement I’d like to make. I’m going to read it to you, and I’ll be glad to give you a copy of it, if you’d like.

CHAIRMAN MITCHELL: Thank you, sir.

[Mr. Kirsh] Thank you all for being here tonight. I especially appreciate the Commissioners being here, and I thank them for providing this opportunity so that customers have a convenient forum to express their views. Commissioners, I urge you to listen to what these customers have to say about their current and proposed rates and their service with Carolina Water Service.

This utility brings to my mind the fable about the frogs and the well. Two frogs lived together in a marsh, but one hot summer the marsh dried up. So, they left to look for another place to live. By and by, they came to a deep well. One of them looked down and said, “This looks like a nice cool place, and it is so deep it

1 will never dry up. Let's jump in and settle here". The other frog, who was much
2 wiser said, "Not so fast my friend. If we jump into this deep well and it does dry up,
3 how will we get out again?"

4 Carolina Water Service, or CWS, reminds me of that hasty frog – jumping to
5 the well for relief time and again without thinking of the long-term consequences.
6 These boys from Chicago have a long history of coming back to the well, so to speak,
7 and requesting rate increases here in South Carolina.

8 Over the past five years, CWS has requested increases in rates three
9 times, including the current request pending before the Commission.

10 Since 2001, there has been an increase of approximately 22% in water and
11 sewer rates for CWS customers, resulting in an additional \$1.1 million in revenue
12 for the Company. The customers in River Hills pay the highest rates of all the
13 Carolina Water Service companies' systems. Under currently approved rates,
14 River Hills customers are already paying \$80.83 per month for water and sewer,
15 and that is if they only use 5,353 gallons of water.

16 CWS has implemented higher sewer rates than those approved by the
17 PSC during their rate case heard in 2005. This appeal is pending before the circuit
18 court. Therefore, the last case has not been fully resolved, and these guys are
19 back for more. That just irritates me, I tell you. They're coming back to the well to
20 request yet another increase in less than a year's time.

21 It's my understanding that ORS, the Office of Regulatory Staff, is currently
22 conducting a management audit of CWS and its affiliated companies. While I am
23 confident that the operational and financial recommendations made by the ORS
24 will result in savings for CWS customers in York County, I remain concerned about
25 this latest in a series of rate increase requests.

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1 In closing, it could be that the Chicago-based CWS once viewed South
2 Carolina as a deep well that would not likely dry up. However, I think we will hear
3 from comments tonight by these customers that the well of public support for these
4 repeated rate increases has indeed run dry.

5 Thank you.

6 *[Applause]*

7 CHAIRMAN MITCHELL: Also, at this time, I saw
8 Senator Harvey Peeler come in. I wanted to recognize
9 Senator Peeler as being present here, and I know he
10 represents you people well in Columbia also.

11 Senator Peeler, certainly glad you're with us tonight.

12 SENATOR PEELER: It's all what Representative
13 Kirsh said.

14 CHAIRMAN MITCHELL: Thank you. Thank you very
15 much.

16 *[Applause]*

17 CHAIRMAN MITCHELL: At this time I do want to – I
18 want to remind you now, and I will remind you again, at the
19 conclusion of this meeting, if you have any questions – the
20 two people that are seated up front, Ms. Lessie Hammonds,
21 and then the representative of the Company, are here if you
22 have any questions. I certainly want you to come forward
23 and ask those questions at the end. We certainly want to
24 clear you on any questions you might have tonight.

25 Mr. Hoefler will certainly be there to respond for the

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1 Company, I'm sure.

2 I'd ask if Mr. Terreni would give us the list. We're
3 going to go down the list as you have signed up and we'll
4 ask you to come forward and speak – please speak directly
5 into the microphone as we're certainly taping this, and we
6 want to hear every word you have to say.

7 So, Mr. Terreni, at this time.

8 MR. TERRENI: Mr. Chairman, we will begin with
9 testimony from Mr. Don Long.

10 CHAIRMAN MITCHELL: Mr. Don Long, please
11 come forward.

12 **WHEREUPON, Mr. Don Long** first being duly sworn,
13 assumes the stand and testifies as follows:

14 MS. BOYD: Please state your name and address for
15 the record.

16 **TESTIMONY OF Mr. Long:**

17 My name is Don Long. I live at 14 Sunrise Point Court in Lake Wylie. I'm here
18 representing an informal committee of residents and public and business entities
19 from within the Lake Wylie Franchise District served by Carolina Water Service.
20 The committee has been working since last December and has included the
21 participation of individual residents, homeowner's associations, schools and
22 churches, county and state legislators, and businesses.

23 We believe that the citizens of the Lake Wylie Franchise District are
24 currently paying water and sewer rates which are excessive and which appear to
25 be substantially subsidizing the remainder of the Carolina Water Service, Inc.'s

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1 water and sewer systems across South Carolina. The citizens of Lake Wylie District
2 are willing to pay, as components of their water and sewer rates, the reasonable costs
3 of providing and delivering these services as well as a reasonable profit if a private
4 company is providing and delivering those services. The citizens of Lake Wylie District
5 are not willing nor should they be expected to subsidize the costs of marginal or
6 inefficient systems with no operations synergy to the Lake Wylie District. We believe
7 such subsidization is a major cause of the excessive rates, and we question why
8 CWS is not able in Lake Wylie to provide water and sewer services for rates
9 comparable to the much lower rates which another Utilities, Inc.'s subsidiary provides
10 in Tega Cay, and to the much lower rates, which at least four other operators provide
11 in nearby service areas in York County, serving comparable numbers of customers
12 with virtually identical services. It is because of these concerns that we are asking that
13 you disapprove the CWS request for rate increases in the Lake Wylie District and
14 that for rate-setting purposes, CWS be directed to restructure their application. I
15 will elaborate on each of these in a moment.

16 In our efforts to obtain information with which to analyze the proposed
17 rates, we have been "stonewalled", for whatever reason by the Office of
18 Regulatory Staff, in terms of their providing any useful detailed information. The
19 information was requested directly and through our legislative delegation and was
20 related specifically to the Lake Wylie Franchise District. Because of this lack of
21 cooperation, we have had to utilize the consolidated information in the application
22 filing, public information available from various other sources, and information
23 which we have generated on our own in order to affect a reasonable analysis of
24 the CWS application. As a result of these efforts, we concluded that both the
25 current and proposed CWS water and sewer rates are substantially higher than

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1 can be reasonably justified. We believe that the rates currently authorized by the
2 Public Service Commission to be charged by CWS within the Lake Wylie District
3 should in fact be dramatically reduced to reflect a reasonable rate base rate of
4 return within the district, or even to approximate the rate of return requested
5 statewide by CWS.

6 As additional justification for a rate reduction as opposed to the requested
7 rate increase, our analysis indicates that the citizens in the Lake Wylie Franchise
8 District are being expected to pay approximately a 55% premium over the average
9 rates being paid elsewhere in York County, and this is for virtually identical service
10 provided with comparable size. We believe the CWS operations within the Lake
11 Wylie District should be immediately separated for rate-setting purposes from the
12 remainder of CWS' operations statewide. There does not appear to be any synergy
13 between the Lake Wylie operations and the remainder of CWS' operations which can
14 justify consolidating Lake Wylie with the remainder, other than to unjustifiably
15 subsidize other marginal and/or inefficient systems.

16 I'm including as appendices to my testimony a schedule showing the
17 current CWS customer set in the Lake Wylie District as best we can determine,
18 and I figured a calculation showing in more detail how we arrived at our
19 conclusions.

20 We have forwarded multiple requests for specific information to the Office
21 of Regulatory Staff directly and through individual statements, letters, and through
22 the entire legislative delegation over the last seven months. Despite this, we've
23 been unable to obtain the detailed information needed to definitively analyze the
24 justification, or lack thereof, for the requested rate increases contained in CWS
25 rate relief filing 2006-92-WS, which is the subject of this meeting. The information

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1 requested specifically for Lake Wylie Franchise District for periods matching those
2 provided in the rate application, included balance sheets, income and expense
3 statements, and schedules of current and projected numbers of customers by type
4 of customer and type of service. The information we were given by the Office of
5 Regulatory Staff was out-of-date and not specific to the Lake Wylie Franchise
6 District. They made up primarily a presentation, which had been made at the last
7 prior rate hearing some two years ago. Only combined and consolidated
8 information was provided, which was and is useless in analyzing the rate situation
9 within the Lake Wylie District.

10 We've been provided with no substantive reasons why the Lake Wylie
11 District should be combined with the other CWS operations in South Carolina for
12 the purpose of rate determination. There is virtually no apparent operational
13 synergy in terms of employees, service levels, geography, equipment utilized, or
14 administrative or customer service effort between or among the Lake Wylie
15 Franchise District and the other 30 operating units of CWS in eleven other
16 counties. 29 of the 30 other operating units are well over 50 miles from the Lake
17 Wylie Franchise District in locations such as Charleston, Columbia, Sumter,
18 Georgetown, Aiken, and Orangeburg. What upper management and corporate
19 administrative efforts there may be across the spectrum of CWS could easily be
20 allocated to the various individual operations based on numbers of customers
21 and/or plant and service measures without any need for consolidation.

22 Additionally, we have the example of Tega Cay Water Service, Inc.,
23 another Utilities, Inc. subsidiary, which is within ten miles of the Lake Wylie
24 Franchise District, is somewhat smaller than Lake Wylie, it provides similar
25 services, charges substantially lower rates, and is not combined with any other

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Utilities, Inc. operations.

Because we were not able to obtain requested data from the ORS, we’ve been placed in the position of doing the best we can with publicly available information. From this, we’ve developed what we believe is a reasonable and supportable set of conclusions about the status of water and sewer service in the Lake Wylie Franchise District, including what appears to be the proposed rate base rate of return for CWS within this District. The primary sources of our information were the financial data provided by CWS in their application, known as PSC Docket 2006-92-WS. Secondly, CWS’ York County property tax bill, No. 883027-05-6, which is based on CWS’ filing of Form PT-139, South Carolina Water and Sewer Company Property Tax Return with the South Carolina Department of Revenue. Third, the map of Lake Wylie Franchise District boundaries, which is available in the York County GIS system. Fourth, counts which we made of the numbers of homes in the various subdivisions indicated as being served by CWS. Fifth, schedules of water and sewer charges obtained from various other water and sewer service providers, including Tega Cay Water Service, the Town of Tega Cay Utility Department, the York County Water and Sewer Service Department, the Town of Clover, and the City of York. Sixth, the sampling of actual bills, both residential and commercial, for CWS’ water and sewer service within the Lake Wylie Franchise District.

Based on these sources and a reasonable application of the size of the customer set and the service mix provided within the Lake Wylie District, and rounding for the sake of brevity, we have derived at the following analysis.

Our first effort was to determine what the apparent net operating income to CWS is from the Lake Wylie Franchise District. With the proposed rates,

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1 reasonable usage profiles, and the observed number and mix of residential and
2 commercial customers, which will likely be in place by September 30th, 2006, we
3 estimate that CWS with the proposed rates will have annual total revenues from
4 Lake Wylie Franchise District of \$2.08 million. This is approximately 27.1% of the
5 proposed statewide \$7.68 million in total operating revenues cited by CWS in their
6 application.

7 CWS' property tax filing with the South Carolina Department of Revenue
8 and the resulting York County property tax assessment indicates that
9 approximately \$2.02 million in depreciated plant-in-service assets are devoted to
10 the Lake Wylie operations. This is approximately 5.9% of the total plant-in-service
11 statewide of approximately \$34.25 million, which is shown in the balance sheets
12 submitted by CWS in their application. This means that CWS is proposing to
13 generate, as best we can tell, over 27% of their statewide revenues from their
14 operations at Lake Wylie, using only 6% of their statewide plant-in-service assets.

15 We believe it is fair to assume that the percentage of statewide operating
16 expenses associated with the Lake Wylie District is similar to the Lake Wylie
17 District percentage of statewide operating revenues, 27.1%. This would indicate
18 that the Lake Wylie operating expenses of CWS are approximately \$1.64 million.
19 This is likely somewhat conservative, as the expense percentage could actually be
20 expected to be less than that based on both service and asset mix. The result of
21 all of this is a pro forma net operating income for CWS from the Lake Wylie
22 Franchise District of approximately \$439,000 annually.

23 We then turned our attention to determining the apparent rate base which
24 CWS has for the Lake Wylie Franchise District. In their application, CWS shows a
25 statewide rate base of \$18.96 million out of the total plant-in-service of \$34.25

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1 million. The major adjustment to get to the rate base is the removal of
 2 contributions in aid of construction. These are effectively donations given to CWS
 3 by developers in return for CWS' agreement to provide water and sewer service.
 4 CWS' statewide rate base, therefore, consists of about 55.6% of their total
 5 statewide plant-in-service. Assuming that the Lake Wylie Franchise District rate
 6 base represents a similar percentage of plant-in-service, then the rate base in the
 7 Lake Wylie Franchise District is approximately \$1.12 million out of the \$2.02
 8 million assets reported by CWS to the South Carolina Department of Revenue.
 9 Applying CWS' \$439,00 in annual net operating income from the Lake Wylie
 10 Franchise District to the \$1.12 million of CWS' rate base produces a rate base rate
 11 of return of 39%, 39.0%. CWS is requesting a statewide rate of return of 8.54%.
 12 The Lake Wylie Franchise District is therefore proposed to produce a pro forma
 13 rate of return for CWS of nearly 4.6 times that which they're requesting statewide.

14 The current rate-setting structure and procedures of the Public Service
 15 Commission and the ORS seem not only to tolerate but actually to encourage
 16 system inefficiency as well as resulting in multiple layers of unjustified costs. The
 17 rate-setting process does not apparently place any emphasis on ensuring fair and
 18 reasonable, absolute charges, or ensuring that the cost of marginal or inefficient
 19 systems are borne by those who are served by them. The only consideration
 20 seems to be whether a fair percentage rate of return is achieved on the rate base.
 21 This encourages the building of a large rate base regardless of its potential
 22 efficiency or inefficiency. This in turn results in subsidization of marginal systems
 23 by relatively efficient ones within the same corporate structure and results in
 24 second level effects. The latter includes reduced property values and higher costs
 25 of local goods, services, and taxes as an inevitable result of the high rates, which

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we believe are resulting from such a rate structure.

At least five other water and sewer systems of similar size are operating within York County in close proximity to the Lake Wylie Franchise District. The average charges from these five systems for comparable service to that of CWS are much lower than the existing or proposed CWS rates. For the use of 6,000 gallons of water and the normal resulting complement of sewage, the rates and total number of customers are proposed for the Lake Wylie Franchise District, \$102.96 to serve 3,008 customers. The York County Water and Sewer Service, which Councilman Johnston mentioned a moment ago and so did County Manager Green, it serves about 5,000 customers for the same 6,000 gallons of service, they would charge \$67.24 for [inaudible]. Tega Cay Water Service, which is a subsidiary of Utilities, Inc., as is CWS, would charge \$75.80 to their 1,800 customers in Tega Cay. The Tega Cay Utility Department would only charge \$58.90 for their 2,500 customers. The City of York charges \$61.06 for their 2,855 customers, by the way that even includes weekly garbage pickup. A town like Clover charges \$70.16 for the same 6,000 gallons for their 1,900 customers. These systems share a lot of similarities. York County Water and Sewer Service uses the same source of water and sewage processing, which is the City of Rock Hill, as does the Lake Wylie Franchise District. In the case of developments, such as Bethelfields, which is just outside the Lake Wylie Franchise District, is served by York County. The same pipes are used; the same pipes for Rock Hill, same pipes going to Rock Hill for the sewage. Tega Cay Water Service uses the same source of water as Lake Wylie Franchise District does, the City of Rock Hill. The portion of Tega Cay served by CWS has three small sewage processing plants, which discharge into Lake Wylie. The Tega Cay Utility Department uses the same

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1 source of water and sewage processing as Lake Wylie Franchise District, again,
 2 the City of Rock Hill. That portion of the Tega Cay system is operated by the City
 3 of Tega Cay. The City of York has its own water source and sewage processing
 4 facility operated by the City of York, and the Town of Clover obtains its water from
 5 Gastonia, North Carolina, and has its sewage processed by Gastonia. There are a
 6 number of similarities across these systems, including the size of the system, and
 7 one similarity that does not exist is the price they charge.

8 For the five systems operating near Lake Wylie, the average costs to a
 9 residence using 6,000 gallons of water is \$66.63 a month. This means that Lake
 10 Wylie Franchise District is being proposed to pay a 55% premium for virtually
 11 identical service when compared to the other five nearby service providers of
 12 comparable size. While it may not be directly significant, it's also interesting to note
 13 that the system with the second highest effective rates is the other Utilities, Inc.
 14 system in York County, while the other four systems, all publicly operated, provide
 15 virtually that type of service, but less expensive.

16 As indicated previously, our calculations indicate that we are unjustifiably
 17 and substantially subsidizing other systems within Carolina Water Service, Inc.
 18 This appears to be producing a base, a rate base rate of return in the Lake Wylie
 19 Franchise District, which is nearly five time the rate of return being requested
 20 statewide by CWS. If the rates in Lake Wylie were reduced so as to remove the
 21 subsidization and bring the rate of return in line with the requested rate of 8.54%,
 22 the proposed CWS rates for Lake Wylie would need to be cut by 78.1%.

23 *[Applause]*

24 For 6,000 gallons of water per month and the commensurate amount of
 25 sewage collection and processing, the resulting rates would generate a residential

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1 average monthly charge of \$53.91, including all county and state charges. This
2 would place the Lake Wylie Franchise District rates within reasonable proximity of
3 the average rates enjoyed by the customers of other nearby systems.

4 In summary, we believe that both the current and proposed rates for water
5 and sewer service in the Lake Wylie Franchise District are very excessive and
6 amount to a substantial, unjustified subsidy by the citizens of Lake Wylie to other
7 marginal and/or inefficient systems. There are numerous other non-CWS systems
8 in York County which are providing similar levels of service to similar numbers of
9 customers in their service areas with much lower rates. We believe that our
10 analysis of the current proposed rate structure is reasonable. Since our analysis,
11 despite several requests, was done without benefit of any meaningful assistance
12 from the ORS, we believe we're entitled to know whether there is agreement from
13 the ORS and the PSC with our conclusions. If there is not agreement, then we
14 believe we're entitled to know in detail why there's not agreement and to have
15 additional time to analyze and comment on those conclusions before any rate
16 increase is approved. [*Applause*]

17 If there is agreement, we believe that the PSC should direct that the Lake
18 Wylie Franchise District be immediately separated from the remainder of CWS'
19 operations in South Carolina for purposes of rate determination and that the CWS
20 application be amended or refiled to reflect that change. We can see no
21 reasonable justification for consolidation regarding rate determination other than to
22 place the citizens of Lake Wylie Franchise District in the position of substantially
23 subsidizing other marginal and/or inefficient CWS operations in the areas which
24 are geographically remote from the Lake Wylie Franchise District, which have no
25 operational synergy with the Lake Wylie Franchise District. This is an inequitable

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1 arrangement which we believe is unfair and unjustifiably costly to the citizens of
2 the Lake Wylie community who are customers of Carolina Water Service, Inc.

3 Based on our analysis and what we believe are reasonable and supportable
4 conclusions, we ask the Public Service Commission to deny CWS' rate increase
5 request and direct that the Lake Wylie Franchise District be separated from the
6 remainder of CWS' operations in South Carolina for rate-setting purposes.

7 [Applause]

8 CHAIRMAN MITCHELL: Yes, sir. The first thing I'd
9 like to ask, would you want to submit any or part of what you
10 said as a hearing exhibit so that it will be made officially a
11 part of the record, or how would you like to –

12 MR. LONG: I gave the young lady over here a copy
13 of it for that purpose.

14 CHAIRMAN MITCHELL: We're going to take that
15 then as Hearing Exhibit #2, and we'll make that part of the
16 record.

17 Now, any questions?

18 MR. HOEFER: Mr. Chairman, could the parties get a
19 copy of that?

20 CHAIRMAN MITCHELL: Absolutely, absolutely, Mr.
21 Hoefer, everything that is received.

22 Let me ask you this, would your PowerPoint
23 presentation – would that be sufficient or you want it word-
24 for-word of what you just said?

25 MR. LONG: The document that I gave the young lady

1 over there was word-for-word; almost, I may have missed a
2 word here or there.

3 [Laughter from Audience]

4 CHAIRMAN MITCHELL: I think what we're
5 questioning just a little bit is the math that you provided,
6 underlining what you said, is that included in what you gave,
7 we need –

8 MR. LONG: Yes, but I can also give you an additional
9 document to cover some of that.

10 CHAIRMAN MITCHELL: If you would do that,
11 because we need that in writing.

12 MR. LONG: I'll be happy to.

13 CHAIRMAN MITCHELL: Thank you, sir.
14 Any questions? Commissioner Clyburn.

15 **EXAMINATION BY COMMISSIONER CLYBURN:**

16 Q Mr. Long, I think I remember you – you look slightly familiar [inaudible] my brain
17 cells are kind of jumbled, but I think I remember you from last time.

18 A They're operating very well.

19 Q Well, thank you. I appreciate you at least saying that; I'll take that under
20 advisement. [Laughter from audience] Remind me how long you've lived on Lake
21 Wylie.

22 A 17 years.

23 Q 17 years – one of the things that – I usually don't do this, but I have to commend
24 you on a very comprehensive overview. I was going to ask you a bit about service
25 quality. Tell me a bit about your experience from that perspective since you've

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1 been living here for 17 years.

2 A I can only give you my personal perspective. Very frankly, I can't object a whole lot
3 to the quality of the water and the quality of the service. Some people will, and
4 they may have good reason for that. My particular [inaudible] where I live, it just
5 hasn't been all that bad. That's not the substance of what I'm complaining about.

6 Q Right. I respect that. You mentioned, you gave us an overview also, which subject
7 to check, that there were approximately a little over 3,000 customers on this
8 particular, in this particular subset of CWS' systems. Would you affirm, or could
9 you affirm - and you also made mention that in terms of this particular system, it
10 represents 6% of the – [I'm hearing a little, I don't know my feedback is kind of
11 getting next to me – I'm sorry it's kind of bothering my head here.] 6% of the plant-
12 in-service assets are a part of this particular Franchise.

13 A As best we can calculate it.

14 Q In terms of looking at that, in terms of the total CWS customer base in South
15 Carolina, I guess – do you recall the total –

16 A If I remember correctly, this is going to be close [inaudible], but I think 40% of the
17 water customers, and I think it's 24% of the sewer customers are here.

18 Q Okay, so, though the plant-in-service, and that's what I was going to ask you,
19 thought the plant-in-service makes up 6% in terms of the bodies, in terms of actual
20 customer base, you have – as best as you can determine, 40% of the water
21 customers.

22 A And about 24% of the sewer customers, and that's – there is one, there are a
23 couple of areas in our Franchise District that have only water, do not have sewer
24 as well. So, you have to factor all that in. Of course, we have some commercial
25 customers as well as the retail customers, and you have to determine what the

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1 single family equivalence are for those customers. Some of them, like Camp

2 Thunderbird for instance, very heavy; they use the equivalent of 72 homes over

3 there.

4 Q Now looking at that, I was going to ask this of you. Again, I'm not trying to question
5 the foundation of what you presented here, which again was very impressive.

6 When you talk about the weight in terms of the customer base, do you still feel that
7 the proportion that is charged here is out of sync?

8 A [inaudible] [*Laughter from audience*]

9 CHAIRMAN MITCHELL: Any other questions?

10 COMMISSIONER FLEMING: Mr. Chairman.

11 CHAIRMAN MITCHELL: Please, Commissioner
12 Fleming.

13 COMMISSIONER FLEMING: I don't have a question,
14 but what I wanted to request, if possible. Mr. Long had a lot
15 of substantive information and figures in his report. He asked
16 to have a chance to come back if other sources came up
17 with different figures. We normally say that that person
18 cannot testify again, but would he be – would it be possible
19 for him to be in the hearing to answer questions or rebut any
20 other information that was there. I think that would be very
21 important.

22 CHAIRMAN MITCHELL: Yes, sir?

23 MR. LONG: I can certainly try.

24 CHAIRMAN MITCHELL: We'll at least allow a
25 response to whatever else is being presented. We did need

1 to know a little bit more in detail how you came to some of
2 the numbers that you were quoting there.

3 MR. LONG: I'll try to provide that.

4 CHAIRMAN MITCHELL: Yes, sir, if you could, you
5 know, the exhibits that we've asked you to provide to us –
6 very specific how you arrived on certain numbers, we
7 certainly need that.

8 MR. LONG: I can do that, sir.

9 CHAIRMAN MITCHELL: Any other questions?
10 Commissioner Howard.

11 MR. HOEFER: Mr. Chairman, please before
12 Commissioner Howard asks his questions, I need to
13 interpose an objection.

14 *[Laughter from audience]*

15 CHAIRMAN MITCHELL: Please, we do have to
16 listen and have this on tape, please. We certainly honor all of
17 your responses, but certainly we do have to take this and
18 have it all on record.

19 Mr. Hoefer.

20 MR. HOEFER: Thank you, Mr. Chairman. I think Mr.
21 Terreni very clearly stated at the outset of this proceeding if
22 someone testified tonight, they would not be allowed to
23 come to Columbia and testify.

24 *[Someone from audience speaks – inaudible]*

25 MR. HOEFER: Did you hear that, Mr. Chairman? I

1 will – I think it was very clearly stated by Mr. Terreni at the
2 beginning of the hearing tonight that anyone who testifies
3 tonight would not be allowed to testify in Columbia. So, we
4 would object to it on that basis.

5 Additionally, we would object to it on the basis of Rule
6 501, the South Carolina Appellate Court Rules, Canon 3. We
7 would also object on the basis of Rule 614(b) of the South
8 Carolina Rules of Evidence. These people are [inaudible],
9 I'm happy to say, but to have documentation, additional
10 testimony elicited on behalf of the judicial officers of the
11 proceeding; we think is inappropriate, and we would object.

12 Thank you, Mr. Chairman.

13 CHAIRMAN MITCHELL: Okay. Mr. Hoefler, for the
14 record, we understand what you've said. But, however, we
15 had a Commissioner to specifically request a change in our
16 [inaudible] and because of that, we're going to allow what
17 we've already told Mr. Long, that he can come and testify,
18 and I'm going to rule that 501 [inaudible] of that procedure.

19 [Applause]

20 CHAIRMAN MITCHELL: Any other questions?
21 Commissioner Howard.

22 **EXAMINATION BY COMMISSIONER HOWARD:**

23 Q Mr. Long, refresh my memory if you might. 100% of the water used by the Lake
24 Wylie Franchise District [inaudible], they don't have any wells or facilities in this
25 area; all of them purchase through [inaudible] systems?

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1 A Well, there are homes in the area that have wells and septic systems.

2 Q But, they're not, they're not held by CWS?

3 A No, no, they're not.

4 Q In your analysis, you presented six of the systems and of those six, I think, two of
5 them are privately owned. How many independent systems are there in York
6 County servicing the population of York County?

7 A I'm not absolutely sure. I know there are at least two others, Rock Hill and Fort
8 Mill, in addition to the five that I quoted, and Lake Wylie. So, there are eight that
9 I'm aware of.

10 Q Do you know who owns those private systems?

11 A Those private systems –

12 Q [inaudible]

13 A One, Tega Cay system, Tega Cay Water Service is a private system, and of
14 course, this one is private. The others, as far as I know, are all publicly operated.

15 Q Thank you, sir.

16 CHAIRMAN MITCHELL: Any other questions?

17 Commissioner Hamilton.

18 **EXAMINATION BY VICE CHAIRMAN HAMILTON:**

19 Q Mr. Long, I do agree you had a very, very thorough report, and the committee has
20 done a good job. Is the names of the committee and the class of customers that
21 they serve a part of your report?

22 A No, but we can list people that participated, as they said, it was a very informal
23 committee. We didn't have any cutoff, it was y'all come.

24 Q I think it would be helpful if that could be provided.

25 A I'll try to do that.

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1 Q Thank you, sir.

2 CHAIRMAN MITCHELL: Any other questions?

3 [No Response]

4 CHAIRMAN MITCHELL: Mr. Hoefer, any other
5 questions?

6 MR. HOEFER: No, Mr. Chairman.

7 CHAIRMAN MITCHELL: Ms. Hammonds?

8 MS. HAMMONDS: No, thank you, Mr. Chairman.

9 CHAIRMAN MITCHELL: Thank you very much, sir.

10 MR. LONG: Thank you.

11 [Applause]

12 CHAIRMAN MITCHELL: Mr. Terreni, if you'd please
13 call our next –

14 MR. TERRENI: Mr. Jack Allen.

15 **WHEREUPON, John Allen** first being duly sworn,
16 assumes the stand and testifies as follows:

17 MS. BOYD: Please state your name and address for
18 the record.

19 **TESTIMONY OF MR. ALLEN:**

20 My first name is John Allen; everybody knows me as Jack. A business man in the
21 area, I own a home in the area. I've testified before this committee three other
22 times. I've appeared in Columbia twice.

23 CHAIRMAN MITCHELL: Yes, sir, can we have your
24 address?

25 [Mr. Allen] 32 Honeysuckle Woods, now, the old address, I think it was 41 Heritage

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1 Road here in LakeWylie. My business has been in business for, going on 26
2 years. I've lived here almost 27 years. I am a member of that committee, and I
3 hope that answers most of the other questions or concerns about who has
4 contributed to that. I'm going to address a lot of [inaudible] and generalities by
5 citing out that, if you don't mind, I'll read this, and they can furnish it to you if you
6 wish afterwards.

7 CHAIRMAN MITCHELL: Yes, sir.

8 Of the main goals that the Public Service Commission have listed on their
9 webpage, two are of importance to what I want to address tonight. They are, "to
10 seek to ensure that the citizens of the state receive appropriate levels of customer
11 satisfaction, quality of service for those services provided through the entities of
12 this Commission's provisions; seeking to ensure that within a more competitive
13 utility environment that core or captive customers with little market power are not
14 unduly burdened with the costs of competition and are provided appropriate
15 service and service options.

16 The Office of Regulatory Staff created in 2004 by the South Carolina
17 Legislature, as I understand it, took over the investigative, legal, prosecutorial, and
18 educational roles formerly held by the PSC Staff. Two of their basic values listed
19 on the website are: Impartiality - it says, we abide by our legislative mandate of
20 impartiality as we strive to represent all the facets of public interest.

21 Responsiveness – we respond to all requests and concerns with a sense of
22 urgency and efficiency, and they are also the points I want to address here tonight.

23 The numbers and submission of facts, as the Lake Wylie Water and Sewer
24 Committee sees them, are at big odds with what Carolina Water seems to have
25 represented in their filing. Our committee has requested, through our local

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1 representatives, various financial statements listing the customers being served by
 2 Carolina Water in the Lake Wylie Franchise District from the ORS, listing the
 3 projected customers to be served by each type of service in the years to come and
 4 all of them covering the period that this rate request covers and for the breakup of
 5 those expenses for just the Lake Wylie Franchise District. The legislators have not
 6 received anything that is up-to-date or meaningful to date, even though the
 7 request was made around the 1st of the year, almost seven months ago. The
 8 requests by a member of our Committee has also been non-productive, and after
 9 the last rate hearing, the promise of a management audit of the Carolina Water
 10 system was supposed to have been undertaken by the PSC. Repeated follow-ups
 11 by various individuals has finally resulted in ORS petitioning the PSC to request
 12 that Carolina Water pay for that audit. Gentlemen and ladies, it has been my
 13 experience over the many years of the business world that the party paying the
 14 middle gets the facts that they want made part of that audit and by having Carolina
 15 Water pay that cost, that cost will be passed on to the Carolina Water customers.
 16 Again, as I understand it, ORS has 12 auditors being paid by us taxpayers. We
 17 need a comprehensive and total audit of Carolina Water operations by an impartial
 18 auditor, and the separation of the management expenses as they apply just to our
 19 District.

20 In comparing our rates for each type of service to the rates being charged
 21 by Carolina Water and other operating systems, our rates appear to be out of line
 22 for the same water that we all use and for the same [inaudible], again, that we all
 23 use. In comparing our rates for each type of service, the rates being charged by
 24 water companies serving the towns around us, we again find out our rates to be
 25 out of line, and our rates set this high – excuse me, are our rates set this high so

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1 as to subsidize other Carolina Water operations, if so, I'd get the financials I was
2 given that told me that I was going to have to subsidize Carolina Water's other
3 operations. The other conclusion, lacking the requested documentation, is that
4 Carolina Water is making an obscene huge profit at our expense.

5 I have testified at previous hearings and have listed problems with water
6 quality and pressure. I have also requested that a system be developed to alert us
7 customers when the water line breaks and when the repairs are going to be
8 started. I requested this to try and keep the resulting mud out of our water
9 systems. Once jammed with mud, they burn up; it costs. Muddy coffee tastes
10 lousy. With the capabilities of computers [inaudible] messages, I would think that a
11 system could be compatible at a very reasonable cost.

12 The reason I mention this example is the concern of public service by the
13 Company. If you give a store or a manufacturing company a series of complaints,
14 they usually follow through to be sure that that problem has been taken care of to
15 the customer's satisfaction. Why? They don't want to lose customers. They're out
16 of business if they do. Of course, when you are the only service in town, why care.
17 But, I would think that the old PSC, or the new ORS, would be interested instead it
18 appears that all you want are complaints. I have talked to many of my customers.
19 They are also Carolina Water's customers, and I have yet to find anyone that has
20 had a follow-up from the Carolina Water Service Customer Service Department, if
21 they have one, or from the PSC, or from ORS. Their head man says it's taken
22 care of, then everyone is satisfied, or supposedly so.

23 [inaudible] for the two stated goals of the PSC and two of the seven basic
24 values of the ORS Staff. I do not think that any of these are being met timely and
25 fair, in a fair way, in a fair customer manner, fair to a customer. If you think that

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1 they are, why are our rates 50% some odd percent higher than compared with
2 systems operating in Carolina Water in York County for the same water from the
3 same source. Lake Wylie's water rates have gone up by 35%, and our sewer
4 rate's gone up by 56% since 1996. Granted, EPA regulations have added to
5 Carolina Water's operating costs, but by how much? No documents have been
6 given to ensure that those costs have not been inflated. What part of Carolina
7 Water's operating costs have been offset by the building [inaudible] in York County
8 and in our Franchise District. Whole new lift stations and pipelines have been
9 given to Carolina Water at the developer's and builder's expense. Our prices -
10 commercial developments, we had to pay additional tap fees to hook up to the
11 very same system that they built and gave away – why? While I'm on that subject,
12 are those systems included in the rate case? How can we be sure that they're
13 not?

14 Mr. Chairman and Gentlemen, it's time to have the Lake Wylie Franchise
15 District separated from the lumped-together operating costs of all of South
16 Carolina water systems, and it is time to let the customers that pay your salaries
17 through state taxation have necessary documents that are necessary and used to
18 set our rates so we can see and know we have – why we have the highest rates
19 for service received from Carolina Water in the State of South Carolina. Should the
20 South Carolina sunshine laws apply in ratemaking? If not, why not?

21 Mr. Chairman and Gentlemen, thank you for coming to Lake Wylie and
22 hearing our concerns.

23 [Applause]

24 CHAIRMAN MITCHELL: Do we have any

25 questions?

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[No Response]

CHAIRMAN MITCHELL: Mr. Hoefer?

MR. HOEFER: No, thank you.

CHAIRMAN MITCHELL: Ms. Hammonds?

MS. HAMMONDS: No questions.

CHAIRMAN MITCHELL: Thank you, sir.

MR. TERRENI: Next, we'll hear from Mr. Carl Gullick.

WHEREUPON, Carl Gullick first being duly sworn,

assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF MR. GULLICK:

Q My name is Carl Gullick. I live at 171 Green Ridge Road, Lake Wylie, South Carolina. The reason I'm here – I'd like to mention some things, but of course I had to follow Don Long and Al Greene, apparently a lot of it's been said.
But, I chaired the York County Council for eight years, from 1992 to 2000. During that time, there was a court battle and settlement of what we called "the Fishing Creek" issue, basically brought Carolina Water Service in as a customer of the County. At the same time we floated bonds that I think Al Greene spoke about earlier. One of the reasons that we did this, aside from some environmental reasons, was sewer plants that Carolina Water operated in Lake Wylie. One reason we did it was to hope to stabilize the rates, and obviously that has not been the case. I want to emphasize, Carolina Water Service does not own the sewer plant; does not own the water plant. It purchases everything; it's sewer treatment service and water service, basically.

1 Now, throughout this County, we've got everybody buying and selling to
2 everybody. Rock Hill sells to York County, it sells to Fort Mill, it sells to Tega Cay. If
3 York County buys from York, York County sells to York, and so, we've got all
4 these people buying the same services. But, what happens is you come to wake
5 up, and the rates are substantially higher. I cannot figure out why that would be the
6 case. What is so unbelievably unusual here? What exists here that doesn't exist
7 any place else? The whole thing doesn't make any sense. In my dealing with Carolina
8 Water Service over eight years – was not once that there was a pleasant experience.
9 Our concern with the economic development, our concern with the rates, was enough
10 for the County Council, at one time looked into the condemnation of the system. But,
11 based on what our estimates were as to profitability, we found that [inaudible] to pay
12 the costs necessary [inaudible] . So, needless to say, I certainly hope you'll deny
13 this rate case.

14 CHAIRMAN MITCHELL: Thank you, sir.

15 Have any questions? Commissioner Clyburn.

16 **EXAMINATION BY COMMISSIONER CLYBURN:**

17 Q Mr. Gullick, let me ask you. Am I to assume that you're also a customer?

18 A Yes.

19 Q You said you're also a customer, and you've had a negative experience from a
20 customer service standpoint?

21 A From a governmental standpoint.

22 Q Governmental?

23 A Correct.

24 Q You personally – home, tell me a bit about that experience.

25 A Nondescript, so far.

1 Q How long have you been – you mentioned your service as –

2 A I've been inside this service area since late August; it's not a very long period.

3 Q Okay. Thank you.

4 CHAIRMAN MITCHELL: Any other questions?

5 [No Response]

6 CHAIRMAN MITCHELL: Thank you, sir.

7 MR. LONG: Okay. I appreciate it.

8 [Applause]

9 MR. TERRENI: Peggy Upchurch.

10 **WHEREUPON, Peggy Upchurch** first being duly

11 sworn, assumes the stand and testifies as follows:

12 MS. BOYD: Please state your name and address for
13 the record?

14 **TESTIMONY OF MS. UPCHURCH:**

15 I'm Peggy Upchurch. I am a long time member of this community, River Hills,
16 [inaudible], and I'm also serving on the "Y'all Come" committee that Don so well
17 represented us with tonight.

18 Just two basic impressions. I was also on the County Council for a period
19 of time, but [inaudible] that process. I have two basic comments tonight to add to
20 and enhance what has already been said. But, first of all, we – as concerned
21 citizens, we have a planning commission - and the way that things are done in
22 Columbia, the perception that we have been facing is that because we only occupy a
23 small sliver of South Carolina in the uppermost part of the state, and we are perceived
24 as belonging mostly to North Carolina. We live in sort of a never-never-land up here.
25 We don't have many of the lobbyists and lawyers that Carolina Water Service does,

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1 and we don't interact on a weekly basis with the decision-makers in Columbia that
2 Carolina Water Service does. Our perception tonight that we would bring in a
3 proverbial knife or gun fight has been softened quite a bit by y'all's reaction and
4 acceptance of Don's report, and the fact that you're going to allow him to testify
5 again in Columbia for the information that we worked long and hard to pull
6 together, and you are going to allow him to validate and substantiate support of
7 that. So, that, we totally appreciate.

8 Again, we have been - my personal impression's been changed in that this
9 may not be a political decision, but it would be a decision based on what's fair and
10 what's good. That perception was not improved – has not improved in the past six
11 plus months that we have been working with the ORS trying to get information
12 from them; either the information through letters, through phone calls, through
13 visits down there, was non-existent, was information we already had or there was
14 no response to it and that didn't help our impression at all. And, we were under
15 the impression that the ORS was there to help us because according to their
16 website, there were twelve attorneys – no, six attorneys, twelve auditors, and
17 among the other staff at least eleven staff members that were devoted to the water
18 and sewer. So, we felt like we were going to get some good help there. When that
19 help was not forthcoming, we were concerned.

20 Then, secondly, I wanted to talk to you about what this District is actually
21 made up of. It's easy to perceive us as being rich, because we have homes on the
22 lake and because we – a lot of us live in a gated community. When, in fact, that's
23 not true. The communities that make up this area are in fact starter homes and
24 mid-range homes and they are made up of people – apartments, and
25 townhouses, and complexes. We are made up of families that are struggling to put

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1 their kids through school. Older parents who are struggling to get their kids out of
2 college, retirees on fixed incomes, single family households. In other words, we
3 are just like everybody else across the State of South Carolina. It is hard for us to
4 accept the fact that we are paying 40%, or that we'll be paying 40% of CWS'
5 complete bill.

6 So, with that, those are the two points that I wanted to make, and I
7 appreciate y'all being here tonight and again, I do appreciate y'all allowing Don to
8 come and testify the second time. Thank you.

9 [Applause]

10 CHAIRMAN MITCHELL: Thank you. Please stay
11 seated, we might have a question.

12 Do we have any questions? Commissioner Clyburn.

13 **EXAMINATION BY COMMISSIONER CLYBURN:**

14 Q Ms. Upchurch, you mentioned that you are a long time resident of this area. Can
15 you give me an approximate number of years you've been –

16 A Since 1976.

17 Q You've always lived at River Hills?

18 A Yes.

19 Q Give me some insight in terms of your particular experience as a customer.

20 A As a customer, well, I've had some battles in the past about, with the taste of the
21 water, but those were – that is not relevant really to the testimony tonight. They
22 had to, Carolina Water Service has improved over the past few years. So, my
23 complaints with the quality of water with Carolina Water Service has improved.

24 Q Thank you.

25 CHAIRMAN MITCHELL: Any other questions?

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[No Response]

CHAIRMAN MITCHELL: Thank you, ma'am.

Mr. Hofer and Ms. Hammonds, I'm just going to allow you when you have a question, you just speak up if you do.

At this time, we're going to take a ten minute break to allow the Staff – for a quick break. We'll start back in ten minutes. Thank you.

[Short Recess]

CHAIRMAN MITCHELL: We'll go back in order at this time, and I'll ask Mr. Terreni to read the next name we have listed.

MR. TERRENI: I hope I get this right, it's not entirely clear. Robert Stuck.

WHEREUPON, Robert Stuck first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF MR. STUCK:

My name is Robert Stuck. I live in River Hills and have been in River Hills for 29 years. My complaint is about a particular policy that the water Company has. In December, I received a bill for \$640 some odd dollars. In March, I received a bill for \$2,349. The problem was that I have a decorative pool in my front yard. It has an automatic fill system on it, much like the float in a commode. Unfortunately, it stuck, and the water that goes into that pump overflows into the lake, not into the

1 sewer, but into the lake. The first time it happened, I wasn't aware of what
 2 happened. The second time it happened, I figured out what happened. We
 3 contacted Carolina Water when we got these bills, and we were told that if I would
 4 write a letter explaining that this – what the situation was, where the water went -
 5 the fact that it went into the lake, that if I would produce the bill for the repair of the
 6 float, that they'd take that under consideration. Now, this was one of the clerical
 7 people that simply mails out the bills. They told me who to write to. So, I put all this
 8 in writing, sent a letter, and I got a response back that, "it's against our policy to
 9 separate out the sewer bill", in other words, even though I didn't use the sewer,
 10 even though there was no complaint about it, we were charged for the sewer
 11 portion of that, which was about 40% of that \$3,000 bill. I am now, I've engaged
 12 the services of an attorney, and we are hopefully able, going to be able to resolve
 13 this; I don't know if we can and if not, we're going to go before the courts because I
 14 think it's wrong, it's wrong policy. We're being charged for something we didn't
 15 use. So, that's my complaint.

16 I just called my wife to say that we were halfway through, or all the way
 17 through – I wasn't sure, and she told me to give another complaint, which is she's
 18 washing vegetables for dinner tonight with warm water because that's hot water
 19 that comes out of the cold water tap. So, that's the complaint from my housewife.

20 *[Applause]*

21 CHAIRMAN MITCHELL: You gave us your address,
 22 sir?

23 MR. STUCK: 17 Old Stage Trail.

24 CHAIRMAN MITCHELL: Thank you, sir.

25 Do we have any questions? Commissioner Howard.

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1 **EXAMINATION BY COMMISSIONER HOWARD:**

2 Q Mr. Stuck, do you know if Carolina Water has a rate tariff that addresses your
3 situation with just a water [inaudible] rate?

4 A All I know is that the water bill is broken down into component parts, and those
5 component parts cover the cost of the water and the cost of the sewer. There are
6 more than one water cost constituents, maybe two or three, and there's more than
7 one sewer cost constituent, maybe two or three. So, in total, there's like say five
8 constituent components that make up the bill.

9 Q Thank you, sir.

10 CHAIRMAN MITCHELL: Any other questions?

11 [No Response]

12 CHAIRMAN MITCHELL: Thank you, sir. Thank you
13 very much.

14 MR. TERRENI: Next we have Mr. John Olson.

15 **WHEREUPON, John Olson** first being duly sworn,
16 assumes the stand and testifies as follows:

17 MS. BOYD: Please state your name and address for
18 the record?

19 **TESTIMONY OF MR. OLSON:**

20 John Olson, 12 [inaudible] Road, Lake Wylie. I think I'm glad to be here again.
21 Yogi Berra, who used to play for the Yankees, had coined a phrase that, I guess
22 I've got to use, "It's like déjà vu all over again". Here we are, same old stuff, just a
23 different day.

24 You on the Board keep asking questions about service and service and
25 service. Certainly that's a factor in any customer supply or equation. Though we

1 have asked you to consider that the obvious, major factor is the price equation,
2 and I wouldn't even try to reiterate what Don Long so greatly presented. But, I will
3 reiterate the fact that a group of us asked for some auditing be done, maybe a
4 year ago; it hasn't been done. I take that as self-indictment of you and your
5 associates in Columbia. Citizens, and beyond that, Ralph Norman, our State
6 Representative, asked for some data and never got what was requested. Now,
7 maybe that was a mistake on your part. The problem is y'all are portraying or
8 demonstrating a demeanor of ignorance, it may be arrogance; I don't know. Some
9 would say, not I, some might say you're on the take, and that's a horrible, horrible
10 way to characterize what y'all are into. But, in spite of what you say, I have a hard
11 time hearing what you say because I'm guessing by what you don't do. You know
12 better than I that the State has the right to provide a monopoly for a utility-type
13 situation. You also know better than I, I hope you know better than I, that with that
14 comes the responsibility for effective regulation. I think to everybody in this room,
15 effective regulation is one word. I would submit that you consider we have no
16 evidence of effective regulation. In this day and time when every family and every
17 business is asked to do more with less, and the State of South Carolina has put
18 together a reputation of allowing CWS to have more and more and more revenue,
19 more and more and more rate increases that are totally unjustified. We've given
20 y'all the opportunity to show us your process, to show us your data, and you've
21 chosen not to do that. Now, that's fine if that's the way y'all want to do. But, I'm
22 here to tell you that song is coming to an end because if y'all don't provide the data
23 we're asking for, then the Legislature is going to start changing folks in the Public
24 Utility Commission and the ORS, and that's what we're going to be demanding
25 because y'all have proven the process is broken. We got some charter information

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1 about what y'all are supposed to be about, and I've read, and I've read it, and I've
2 read it, and I reread it, and ya'll, I saw nothing in there that ever mentioned that
3 your job is to look out for the consumer. So, if those are the rules you're working
4 under, I can halfway understand why you're doing what you're doing. But, I would
5 pray that common sense, at least every now and then, would sort of take over
6 [inaudible]. It's time for y'all to act. Don Long has given you all the ammunition you
7 need. I sort of sat here thinking that Don was doing your work for you, but you may
8 not believe that. *[Applause]*

9 I'm not challenging you. I wouldn't begin to try to threaten you; that's not my
10 role. I can't do it, I don't have the weapons. But, I will tell you, it's long past due for
11 y'all to act in a common sense, humanistic way, because you haven't done it in my
12 view. If y'all choose not to do that, then some of us will probably find a way to
13 persuade the people who elect you to move you out and if they don't do that, we
14 may be persuaded to move the Legislators out. We've had it up to here. We're
15 tired. We're sick of it.

16 Thank you for listening. *[Applause]*

17 CHAIRMAN MITCHELL: Please stay seated – see if
18 we have any questions. Any questions?

19 *[No Response]*

20 CHAIRMAN MITCHELL: Thank you very much.

21 *[Applause]*

22 CHAIRMAN MITCHELL: Mr. Terreni.

23 MR. TERRENI: Our next witness, Mr. Jim Arthur, Mr.
24 Arthur.

25 *[individual from audience speaks-inaudible]*

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MR. TERRENI: We'll move on then. Mr. David

Mathein .

WHEREUPON, David Mathein first being duly
sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for
the record.

TESTIMONY OF MR. MATHEIN:

David Mathein, 6898 [inaudible] Road, Lake Wylie. There's a lot of things that
were really eloquent this evening. Mine's pretty much straight to the point
[inaudible]. I'm fortunate enough to be involved – our family has businesses within
the two states. We got T-Bonz [inaudible] here in Lake Wylie; that's on the lake,
Blind Horse Saloon, a bar in Greenville, [inaudible] Grill in Charlotte, [inaudible]
Tavern in Charlotte, and Coyote Joe's nightclub in Charlotte, as well as homes in
Surfside and Savannah.

This just doesn't make sense. We get our bills every month, and we go to
pay them, and there's such a drastic difference in what we pay here and we pay
anywhere else. If I could pay my water bill in Georgetown County Sewer District,
instead of being \$2,675.24; this month, or last month, it would have been \$898.33.
I mean, now that's my lowest one. My next highest would be in Greenville, South
Carolina. If I ran my usage on their numbers, instead of \$2,675.24, I would have
paid \$1,541.26; that's not a good second place. There's nothing we have that is on
the map compared to what we have to pay here.

Some of – [inaudible], I've never had problem with service. I've been on
line for twelve years through the road construction, everything that we've put up
with around here for a road, and I've been well taken care of.

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1 I don't understand how we go through this, and I'll use for an example,
2 Santee Cooper in Murrells Inlet. [inaudible] use Duke Power, they're the same.
3 You look at your gas bill, you know, everything kind of stays the same everywhere
4 except for this water and sewer, and it's outrageous how much we have to pay. I
5 don't know what the answer is but I do know that an increase is out of the
6 question. It just doesn't make sense.

7 As Mr. Stuck had a problem with his sewer charge on his overflow, last
8 January I closed my restaurant, well, I was open seven days. I got my sewer bill, it
9 was almost \$2,000. I went to them and said, we've got a problem. They said the
10 same thing, the sewer collection charge is non-negotiable. It's \$1,100 whether I
11 use it or not. Is that in the rules? I don't think it should be.

12 I'm just a concerned citizen. I've lived here 11 years. I could live a lot of
13 places [inaudible] other places to be. This is a wonderful community led by great
14 people, and we're a community; we're not a town. Don Long and some of these
15 concerned citizens are the people that brought this together today, and they had
16 nobody to help them, and they've done a great job I think.

17 That's all I have to say.

18 [Applause]

19 CHAIRMAN MITCHELL: Have any questions?

20 MR. HOEFER: Mr. Chairman, I have a question.

21 CHAIRMAN MITCHELL: Please.

22 **CROSS EXAMINATION BY MR. HOEFER:**

23 Q Sir, Mr. Mathein, that bill you described, was that for your restaurant T-Bonz?

24 A Yes.

25 Q That's not a residential bill, is it?

1 A No [inaudible].

2 Q Thank you very much.

3 A Thank you.

4 CHAIRMAN MITCHELL: Mr. Terreni.

5 MR. TERRENI: Next is Mr. Roger Swartz.

6 **WHEREUPON, Roger Schwartz** first being duly

7 sworn, assumes the stand and testifies as follows:

8 MS. BOYD: Please state your name and address for
9 the record.

10 **TESTIMONY OF MR. SCHWARTZ:**

11 My name is Roger Schwartz. I live at 29 Heritage Drive in River Hills. We've lived
12 here approximately 12 years. To follow-up – I hadn't planned on talking, but you
13 kind of hit a nerve here. I've got to tell a story. When we first moved here some
14 time back – I still have a house in Cincinnati, Ohio, born and raised there; I rent the
15 house out. When I came down here to Lake Wylie, I got my first water and sewer
16 bill. That bill was approximately \$75. Well, I was used to about that kind of amount
17 in Cincinnati, and I paid the bill, didn't think too much about it. Well, the following
18 month a bill came, and to be honest, I ignored it. I just figured, you know, the
19 check and the bill had passed at different times and didn't pay much attention.
20 Well, the next thing I know I'm getting a disconnect notice, and I thought this can't
21 be; I paid the bill. I called the lady and talked with someone, and they said, well,
22 you know, you didn't pay this month's bill. That was the first time that it hit me that
23 it was a monthly bill, because that \$75 that I paid in Cincinnati, Ohio, is billed
24 quarterly. I'd forgotten that day, so I thank you for bringing that up.

25 My real purpose, and I guess I should say that I'm also on that "Y'all Come"

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1 kind of committee that Don and Peggy were referring to earlier, and we've worked
2 very diligently to try and put accurate information together and, and I want to
3 commend Don for making that eloquent statement tonight.

4 I deal in commercial real estate programs. Most of the people in this room
5 know me, and I've been involved in most of the larger projects in this area, both
6 small and large I should say. The attorney asked before of Mr. Greene, did he
7 know of personal knowledge how long it was taking for a response back from
8 Carolina Water relating to approval of water and sewer usage quantities, and I do
9 have firsthand knowledge. I have to deal with them all the time in the course of
10 what I wind up doing, and the fact is as of this morning at 11:00 I get a very irate
11 developer who wants to do a restaurant in this area who has been trying, to my
12 knowledge, I'm going to say at least six weeks to get a letter out of Carolina Water
13 approving, - and, the closing on this property is contingent upon getting this letter -
14 approving the water and sewer availability for this project to go forward. On
15 average I would say we run four to eight weeks, would pretty well be a normal. I
16 will tell you, once we get that letter, within one week typically, we have the second
17 letter; there's generally two letters required, one is from Carolina Water, one is
18 from DHEC. The second letter typically takes about one week. So, after Carolina
19 Water approves and states that – and issues a letter stating that the water and
20 sewer availability for this project are available, then DHEC can answer with their
21 letter, which is almost like a formality [inaudible], but it only takes them a week,
22 and it takes, I'll say, four to eight weeks for Carolina Water to respond. The
23 gentleman who called me this morning was flat irate. In fact, I had never met Mr.
24 [inaudible] until this evening and we've had several conversations and been very
25 courteous. I'm not going to say that anything has ever been out of line in terms of

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1 that end of it, but it just gets frustrating that we're waiting four and eight weeks to
2 wind up having a very simple letter come forward.

3 When we put a lift station here last fall, it took approximately 60 days to
4 wind up having it approved. Now, there was an initial problem, one test out of
5 three failed. We felt like it was a pretty minor situation, but it took another 60 days
6 to get final approval. Again, when you're dealing on a 52 acre project, there was a
7 lot of money going forth and it was another two months worth of interest. I had a
8 newspaper article published locally that said that the project was in trouble – it
9 really gets – it's very frustrating. So, that's on the service they deliver on the
10 development standpoint.

11 Normally, I would not read from a newspaper, but I wanted to take just one
12 moment to read this, and I don't know if any of you have seen this copy of The
13 Lake Wylie [inaudible], it was published approximately two weeks ago. But, it
14 states in here –

15 MR. HOEFER: Mr. Chairman, I hate to interrupt. Sir, I
16 just need to state an objection for the record. I'm going to
17 object on the grounds of hearsay.

18 *[Laughter from audience]*

19 MR. SCHWARTZ: I'm reading directly, quoting out of
20 the newspaper.

21 CHAIRMAN MITCHELL: As far as that, that will be
22 noted. Move forward, sir.

23 *[Mr. Schwartz]* But, it states in here, "a year ago, Carolina Water was granted a rate
24 increase of 21% locally by the PSC. In that ruling, it was required that the
25 Company be subject to an external audit to determine accountability of basic

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1 corporate decision-making, major operational activities and staff functions”. Now
2 that was a year ago. It goes on to say that, “PSC required an external audit to
3 determine that accountability. It mandated that it was supposed to improve
4 customer service”. If nothing else, I think you can feel the frustration in this room
5 that just about everybody here feels. “The Commission passed a joint resolution
6 between the ORS and CWS that passed the costs back to the customers”. Now, if
7 you go into detail and read this article, part of that costs is going to wind up
8 reimbursing Carolina Water for their staff costs, which I’m not sure why that would
9 be the case, because all these reports should have already been generated, and I
10 grant it wouldn’t take a small amount of time to consolidate the reports and give
11 them back to the ORS or whoever’s the auditor that’s going to review it. But, I can’t
12 imagine that it would wind up costing them \$18,500, which is the amount that
13 theoretically has been approved. It says, “Furthermore, the company has been
14 selected, but we the citizens who this audit is supposed to be provided for, will not
15 be told the name of the auditing company.” I mean, we’re going to pay for it. I just
16 don’t understand this, and it kind of goes back to what John was stating earlier, if
17 there’s a bad image being presented here, we’re being told a year after the fact
18 that Carolina Water’s now go in and get another increase, still hasn’t been heard in
19 court. We are being told that we’re going to pay for it, but oh, by the way, we’re not
20 going to tell you who’s doing the audit. And, we’ve requested for the last seven
21 months to include State Representative Norman [inaudible] copies of information
22 that was already published, we couldn’t get that. Are we going to be told what’s in
23 the audit? I mean, we don’t understand this. So, there is real frustration.

24 Mr. Terreni, and I’m not picking on you, please. I don’t want to do that. But,
25 in the article, apparently the young man that wrote this article had asked – and, I

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1 don't know how many times he called, whether he called once or he called a
2 dozen times, but it states that you did not return his phone calls apparently during
3 the week and apparently he did try to call you – in case you weren't aware of it, at
4 least I'm going to make you aware of it that it was in the article. That's my
5 [inaudible]. Do you have any questions for me?

6 CHAIRMAN MITCHELL: Got any questions?

7 [No Response]

8 [Applause]

9 CHAIRMAN MITCHELL: For the record, the ORS is
10 the agency that does all auditing. PSC does no auditing. We
11 hear cases, and they are conducting an audit. For the record,
12 the PSC does no auditing. We are appointed – we're under the
13 Code of Judicial Conduct, and we hear cases. ORS does all
14 auditing under Act 175 that was passed by the General
15 Assembly of the State of South Carolina. I am stating that for
16 the record that we have been told by ORS that there is an audit
17 being conducted. Once again, Act 175 separated the PSC
18 from the ORS. ORS, under Act 175 that was passed by the
19 General Assembly, conducts all audits. The Public Service
20 Commission only hears cases.

21 MR. OLSON: Mr. Chairman, may I comment?

22 CHAIRMAN MITCHELL: Yes, sir, if you'd like to
23 come to the microphone.

24 Could you state your name again, I believe you've
25 already been sworn in.

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MR. OLSON: I am John Olson, 12 [inaudible] Road,
Lake Wylie, guilty as charged.

I appreciate the desire to set the record straight. I guess you have to do that. However, when citizens request information from our state government, regardless if you're over whatever, and we get stonewalled – I hate to interrupt you while you're conversing up there – and, we feel like we're being stonewalled. It's not in anybody's best interest to give a chapter and verse about the legalities behind which you work. Point of fact is we're getting no information from anyone when citizen groups ask. We're getting no information when Ralph Norman, our State Representative, asks, and y'all have given yourselves a black eye and so long as you persist in doing that, I wish you a lot of luck because it ain't going to last.

I rest my case.

[Applause]

MR. TERRENI: Mr. Charlie Hawkins.

CHAIRMAN MITCHELL: Mr. Hawkins.

WHEREUPON, Charles Hawkins first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF MR. HAWKINS:

My name is Charles Hawkins. I live at 38 Timber Ridge Drive. Young lady, I've been there for 32 years, to answer that question. The water that we are provided

1 by Carolina Water Service is pretty doggone sorry in my opinion. I've taken crystal
2 to the crystal shop at [inaudible] Road, and I've been told that nothing can be done
3 about it, but just throw it away and buy new stems. You can look at the cloudiness
4 of these two glasses; these were bought maybe two months ago, and they're ready to
5 be thrown away to get more. This is wrong, it's the quality – I disapprove of the rate
6 increase. I'm not permitted to have a well according to the bylaws of the Community
7 Association, so I must use this Carolina Water Service. It's a monopoly. I have no
8 choice. I can go to Lowe's or Home Depot, but I can't go elsewhere for water, and this
9 is the water that I get, and I object to it.

10 Thank you for listening.

11 CHAIRMAN MITCHELL: Thank you, sir.

12 [Applause]

13 CHAIRMAN MITCHELL: Have any questions?

14 MR. HOEFER: Briefly, Mr. Chairman.

15 **CROSS EXAMINATION BY MR. HOEFER:**

16 Q Mr. Hawkins, when was the last time you complained to the Company about the
17 quality of the water?

18 A I can't answer that.

19 Q Have you ever complained to the Company regarding the quality of your water?

20 A Verbally, but not in writing.

21 Q Verbally, did you call their office?

22 A Yes.

23 Q Thank you.

24 CHAIRMAN MITCHELL: Thank you, sir.

25 Mr. Terreni.

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MR. TERRENI: Mr. William Morgan.

WHEREUPON, William Morgan first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record.

TESTIMONY OF MR. MORGAN:

Q My name is Bill Morgan. I live at [inaudible] Lane. I have lived in Lake Wylie for 15 years. Can you hear me up there?

CHAIRMAN MITCHELL: Yes, sir.

Okay. I want to make sure because sometimes I've gotten the impression when I've spoken to you that I haven't been heard. [*Laughter from audience*] Prior to living in Lake Wylie, I was one of the people instrumental in incorporating the town of Clemens, North Carolina, right outside of Winston-Salem. We had a tremendous problem in Clemens. It was the largest, fastest growing area in the State of North Carolina, but we didn't have sewage. So, we undertook to float sewer bonds and what have you. Long story short; we did incorporate, we did float sewer bonds, we did work with Forsyth County, North Carolina. Right now, my son lives there, and the water rates are approximately on average \$40 to \$44 a month, for brand new sewage, brand new. It's got an infrastructure that would easily go from here to York and back. Now, that's what you can do when you have efficiency, and you have people working together.

What we have here – what we should have here is a utility. But, we have a monopoly. Now, that's not a bad thing if the Public Service Commission regulates it and does what they're responsible for doing and keeping those rates reasonable. You have heard this year and the year before and years before that, that this is not

1 reasonable. You've been given proof and right now we're talking about \$106 for
2 6,000 gallons of use. I dare say you use more than that, maybe 8,000, that gets
3 out to \$144 a month, that's beginning to look like real money. We have to be
4 careful how we use our water. Do you even think about? Probably not. I can't
5 water my grass like I'd like to, and it shows in my community; we looked parched
6 at this time of the year, and it's a beautiful community, we shouldn't look that way.
7 Now, we've done some things like [inaudible], but it's still expensive. I can't
8 [inaudible], I'm forbidden. I can't get an answer from you guys; I'm prohibited from
9 asking you questions, but you can ask me questions. But, you're the Public
10 Service Commission. Is there an inequity there? I think so. [Applause]

11 Now, we talk about the development here – we'll get into that. As you
12 know, 49 is now complete. Charlotte drug their feet for as long as they could. Now,
13 we have a nice four lane highway. We have [inaudible] right up the road, and what
14 we're doing now is the new Ballentine. Safe to say, we're going to see growth
15 here. In the next five years, we're going to grow by quadruple at least, quadruple,
16 so, we're going to have mega growth. So, these problems with water and sewage
17 are only going to get worse and worse and worse until they become ridiculous.

18 Rate hikes, no way. My rates are out of sight now. It's not your job or my
19 job to support poor management. If they can't make money at these rates, it's not
20 your job to say, well, we're going to help them out, we want their service. We don't
21 need their service. Buy them out, throw them out. There's no justification for the
22 rates to be this high. They won't open their books, why? They're acting as a public
23 entity, they're serving the public. When I talk to the people in Columbia, I feel like
24 I'm the outsider, and the Company, CWS, or as we call them, "Jesse James
25 Water Service", is on the inside. That's the way it looks. They've got a license to

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1 print money. If somebody puts in a development, you've got to give them all the
2 infrastructure that has to do with the water and sewage, and I guess they're putting
3 it on their capital assets and expecting a return on it, when they got it for free. I'll
4 take that deal any time I can get it.

5 Stop and think again. Do you pay those rates where you live? You stop
6 and think about it.

7 People moving down here can be discouraged. That's my hearsay. People
8 really think when they find out what the water cost, and God help them if they
9 come in here and get their first water bill after they water their yard in June or July,
10 and they get a \$350 water bill, and that happens all the time. Those stories are
11 rampant. That's not hearsay when you can talk about [inaudible] over here; she's
12 buying a house in River Hills. The water is a major concern, water costs. It's as
13 much as your taxes, as much as your taxes.

14 We're being ripped off. We're being overcharged, unfairly treated. We need
15 help. We need your help. You're the only group that can give it to us. Obviously,
16 it's not my role to threaten or cajole or criticize – you guys have a tough job. I'm
17 sure you rule on a lot of things, but hear us, hear what we're saying because the
18 impression we get – we come up here, and I tell you there's a lot of effort that we
19 put forth every year to two years to get before y'all. And, you see, the crowd thins
20 out because a lot of people are just discouraged. But, we've got a pressure cooker
21 here; we've got a pressure cooker at Lake Wylie. The growth is raising the
22 pressure, and it's not being released. You're the relief valve for us.

23 Audit – what's the problem? Are they – is this the same group that audited
24 Enron? [*Laughter from audience*] How long - [*Applause*] [inaudible]. And, the
25 Company over here that's making a profit is asking for you to pay for part of the

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1 audit – I don't think so. The audit firm, being a government agency, is fiddling while
2 Rome burns. We've got a problem. There's going to be an arranged war in Lake
3 Wylie, it's coming, and it's going to be over water rates.

4 Thank you.

5 [Applause]

6 CHAIRMAN MITCHELL: Have any questions?

7 [No Response]

8 CHAIRMAN MITCHELL: Thank you, sir.

9 MR. TERRENI: Next we have Mr. Fred Wetherell.

10 **WHEREUPON, Fred Wetherell** first being duly
11 sworn, assumes the stand and testifies as follows:

12 MS. BOYD: Would you state your name and address
13 for the record?

14 **TESTIMONY OF MR. WETHERELL:**

15 My name is Fred Wetherell. I live at Sunrise, 11 Sunrise Point Road here in Lake
16 Wylie. I've been a resident in this area for 23 years. I'm addressing this
17 Commission as Lake Wylie's representative of the York County Economic
18 Development Board, which I've been recently admitted to. As Councilman Perry
19 Johnston stated, I am concerned about the impact on the economic development
20 in the Lake Wylie Franchise District with this rate increase. With the current high
21 rates for water, sewage and tap fees, I feel that it already hinders the economic
22 growth. Any future increase in the current rates will further stump the growth. As
23 stated, you can see that Lake Wylie is now open with for sale signs everywhere.
24 There's going to be growth. Most of this growth is in residential housing, not much
25 commercial or any industrial growth coming in. The school district is planning for

1 this growth by issuing a bond; we're having a bond referendum this September.

2 But, it's going to be the homeowners that wind up paying for this bond referendum
3 because we cannot attract commercial business or industry with these high rates. I
4 urge the Commission to seriously consider the impact the increased fees by CWS
5 and the damage that it could do to the business growth in this community. I urge
6 that you decline this rate increase.

7 I appreciate being heard by this Commission.

8 [Applause]

9 CHAIRMAN MITCHELL: Thank you, sir.

10 Any questions? Commissioner Wright.

11 **EXAMINATION BY COMMISSIONER WRIGHT:**

12 Q Mr. Wetherell, you said that you're on the York County Economic Development
13 Board.

14 A Yes, I just recently was appointed.

15 Q Does the Board have any written study, documentation that would back up what
16 you just stated from the microphone that might give some facts and figures or
17 some projections as to how the economic development would be stifled, stunted
18 as you said? Do they have anything -

19 A I personally don't have anything. As far as the Board goes, I just got recently
20 appointed. I can check into that and get back to you on that.

21 COMMISSIONER WRIGHT: Mr. Chairman, if that
22 exists, I'd like to get it as a late filed exhibit.

23 CHAIRMAN MITCHELL: Absolutely, we would
24 reserve a late filed exhibit [inaudible] information be
25 provided, which will be provided to all parties.

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MR. WETHERELL: Thank you, sir.

CHAIRMAN MITCHELL: Yes, sir.

MR. TERRENI: Next, Mr. Michael Kraxberger.

WHEREUPON, Michael Kraxberger first being duly sworn, assumes the stand and testifies as follows:

MS. BOYD: Could you state your name and address for the record?

TESTIMONY OF MR. KRAXBERGER:

I'm Mike Kraxberger. I live at 3329 [inaudible] Lane in Lake Wylie. Mr. Chairman, members of the committee, Public Service Commission, our representatives if they're still here, thank you for the opportunity to speak tonight. I don't represent a committee of any kind, just a homeowner. I've been here for two years in the area. My water bills – the lowest one has been \$95 a month. I do not have a family of five; I have a family of two, my wife and I. We do not take 18 minutes or an hour and 18 minute showers. My dad was in the Navy, he taught me how to do a navy shower. We're very frugal with our water usage. \$95 does not include any type of irrigation. My wife had a conniption the first summer when we irrigated, and our water bill – our monthly bill went to \$250 that month. Needless to say, our grass also looks like parchment right now, also, because we cannot judge conscience putting that kind of money out for green grass when it'll come back next year. It seems to us unconscionable to grant this additional rate increase in light of insufficient evidence to warrant such an increase. We have an excessive rate of return as has been aptly demonstrated by Mr. Long tonight. The status of the audit is still in question. We do not have results or any type of – any kind of progress on this audit, and also numerous mentions of the questionable service and quality, of

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1 which I'm also a participant going on record saying, yes, there is a quality issue as
2 well.

3 What I'm asking the Public Service Commission is twofold. One is to deny
4 this rate increase and secondly, to our representatives to begin the process for a
5 systemic fix to this solution, not just a band-aid, but a systemic fix to consolidate
6 our utilities, to simplify, at the very minimum, charges for what we truly charge the
7 system in our expense. Mr. Kirsh had a great example of the two frogs. I had a
8 different illustration that came to mind, it was the movie *Gone With the Wind*.
9 When the South lost and the carpet baggers came from the North and they
10 [inaudible], I kind of feel we're in the same situation here. [*Laughter from audience*]
11 [inaudible] I lived there for seven years in New Jersey, but I did not [inaudible]
12 there. But, at any rate, we feel like this is an unconscionable amount. We have
13 never experienced water increases and water rates like this. So, please I would
14 ask that you take the [inaudible] evidence and passion and the zeal of this
15 community and the facts that have been presented tonight, and make a best-case
16 judgment as to this rate increase and deny it.

17 Thank you.

18 [*Applause*]

19 CHAIRMAN MITCHELL: Have any questions?

20 [*No Response*]

21 CHAIRMAN MITCHELL: Thank you, sir.

22 MR. TERRENI: Mr. Riley Murphy.

23 **WHEREUPON, Riley Murphy** first being duly sworn,
24 assumes the stand and testifies as follows:

25 MS. BOYD: Please state your name and address for

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the record.

TESTIMONY OF MR. MURPHY:

My name is Riley Murphy. I live at [inaudible] Road. I've lived there approximately three years. For the record, my water is – when I turn it on, it sure enough, it comes out. When I flush the toilets, they all go down. But, so, it serves its purpose, but there's no reason why I should pay more than everybody else in North Carolina [inaudible] for a service that is just a utility. That's all it is; it's nothing spectacular. I understand that from the last 20% increase, that they do on occasion answer phone calls. [Laughter from audience] That's a lot – a quarter of a million dollars is a lot to pay for that service. If each of us paid about \$20 a month, it probably would come close [inaudible] million dollars. If they got a 10% increase this time, I guess they would be probably \$120,000, \$140,000; it would go directly to the bottom line. For what? They haven't actually even had the courtesy to justify why they want this increase. I don't understand [inaudible], last year or this year. In fact, last year I decided not to come to the next one because – but, I didn't think it would be quite this soon. [Laughter from audience] Price of this service, when I came here from Fort Wayne, Indiana, this service does affect the value of this community. The first thing I heard when I was exploring around York County was that the only trouble with River Hills was that CWS robs, and that was exactly what they said. That's when I was talking to people of course in Lake Wylie [inaudible], I don't even think is on CWS for some. But, that's the first thing from two out of six people - told me that the water rates in River Hills are absolutely out of control. Now, when [inaudible] sold my home and they find out that the water rates have increased 20%, 30%, or whatever in the world it is, I have no idea - people in a few years, people can do the math and they say, well,

1 what's it going to be like in seven years. Because, it's obvious we don't have any
2 protection from this monopoly. I thought that that was your responsibility, but
3 according to somebody that testified, evidently our elected officials have decided
4 that that was too much of a task. But, at any rate, these exorbitant rates do affect
5 property values.

6 Now they want another increase. I can't figure out what the improvements
7 were or what we got for the last increase, which was 20%, [*Laughter from*
8 *audience*] and nobody seems to want to tell us what we got other than a bigger
9 profit line for the Company – I don't even know the real name. I know you're
10 Carolina Water Service, but it's a bigger organization, I believe. So, I haven't
11 figured out what we got for the last 20%, and I'm pretty sure I'm not going to figure
12 out what I get for the next 10% or the next one after that.

13 Now, from the testimony, and I can't imagine how much effort Mr. Long lent
14 and his committee to get all of that information without, may I tell you, without any
15 cooperation to speak of from any of our elected officials. Now, we did have a few
16 people, our – I guess that's our councilman, councilman, one of the big assistants,
17 inspirational at least. But, the fact is that when you go to Columbia, I guess you get
18 nothing, get very little cooperation. It's beginning to make me think that a
19 decision's already been made [*inaudible*]. And, now, all we're up here to do is to
20 blow off a lot of steam. We'll go back and turn on our water and sure enough, it will
21 be there.

22 Okay, now, from the testimony of those people, it would seem to me that if
23 you can pass the rate increase, and if just 70% of it is accurate, how can it be that
24 if 70% of that testimony is accurate, that the Public Service Commission that is
25 supposed to protect us from monopolies, can approve another rate increase. In

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1 fact, if they do that, if this Commission were to do that, then it seems imperative
2 that everybody in this office and everybody at Lake Wylie and this community
3 make a promise to our elected officials that they are going – we are going to vote
4 against all incumbents. You can't [inaudible] – you guys don't matter. It's
5 somebody else, and you're just [inaudible] put up to protect them. Well, I think that
6 we ought to get together and make a promise that if this passes, those people are
7 out of here.

8 Thank you very much.

9 [Applause]

10 CHAIRMAN MITCHELL: Thank you, sir.

11 MR. TERRENI: Mr. Les Young.

12 **WHEREUPON, Les Young** first being duly sworn,
13 assumes the stand and testifies as follows:

14 MS. BOYD: Would you state your name and address
15 for the record, please?

16 **TESTIMONY OF MR. YOUNG:**

17 My name is Les Young. I live at 6 Turtle Lane, here in River Hills. I've lived there
18 since October of 1988. I want to tell Ms. Clyburn that several people in this room
19 can attest to the fact, be it Charleston, either London, several other places around
20 the world that I can sing, but I'm not going to sing for you tonight. [Laughter from
21 audience] And, I'm not going to sing the glories of Carolina Water systems. I've
22 been out here since October of 1988. I bought my house. I moved in it, two
23 months later I got brown water out of the spigots. I've had that happen several
24 times. In addition back then, we had raw sewage being dumped into the lake from
25 the sewage treatment facility that Carolina Water Service was supposedly

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1 operating. But, enough past history.

2 What I wanted to make you aware of tonight. I took my water bills from last
3 March through this June, 16 months, and averaged it. The average I came up with
4 was \$115 a month. There's two people who live in my household, my wife and
5 myself. I'm a retired military officer. I spent nine years in the Navy, 11 years in the
6 Army and several years with a couple other branches, and I learned a long time
7 ago you don't take an hour and 30 minute showers. So, we don't use a lot of water
8 in the showers. We do wash clothes. But, the interesting fact, now the last 16
9 months, that's 64 weeks – I travel, and by the way, I am in the audit business. I
10 know how audits work. I know what happens to a company when I go in to do that
11 audit, in fact, I'm over at Lithium Corporation in Bessemer City this week making their
12 life absolutely miserable. But, they pay for it. We don't pay for it. I'm sure they may
13 pass it on to their customers in their profits, but they're merely a manufacturing facility;
14 they're not involved in retail sales. But, audits do work, and I would hope that if the
15 folks you said do the audit do it, I hope they get off their behinds to do it. It's been a
16 year since you said it was going to be done last time around. If they won't do it, I am
17 available for hire. *[Applause]*

18 But, back to the 64 weeks that I averaged my water bills. I travel. I audit
19 credit unions and non-profits all over North and South Carolina. Of those 64 weeks, I
20 spent 25 weeks gone from River Hills, Monday through Friday. My wife spent 25
21 weeks gone. She has a daughter who lives in Raleigh, has two grandbabies, and she
22 goes down there every other week. So, for 24 weeks or 25 weeks, there was nobody
23 home in my house. My water bill did not vary any more than \$3 a month, when we
24 were gone half the month. It makes no sense whatsoever. Nobody's at home using
25 the water. I've got a dog, but we board her out when I'm gone or I take her with me,

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1 and she doesn't know how to turn on the faucets or flush a toilet. [*Laughter from*
 2 *audience*] We don't water the grass. My yard – I live in a patio home – my yard is
 3 probably about the size of that red carpet area you're sitting on. And, like
 4 everybody else's, it's turning brown right now. Two months of the 16 that I watered
 5 my lawn, the water bill went from \$130 to \$204 the first time and \$265 the second
 6 time. \$265 was my high bill out of that 16-month period. \$96 was the low bill out of
 7 that 16-month period.

8 About 11 months ago I learned how caring Carolina Water Service is for
 9 their water. We had a rather unusual experience on 6 Turtle Lane. The house next
 10 door to me is "5" and then there's a road that goes down to the lake where two
 11 houses are down on the water behind mine and then the next house over is 4
 12 Turtle Lane. On this road, in the roadway, water came bubbling to the surface. I
 13 asked my next door neighbor, I said, hey, is that water connected to your meter;
 14 you better do something about it. He said, no, it's not connected to my meter. So, I
 15 asked the lady on the other side of the street; no, it's not connected to my meter.
 16 So, I called Carolina Water Service, they're the only known owner of water around
 17 here, and they said, that's not our concern, there's nothing we can do about it. If
 18 you want to get that water stopped, you'll have to hire somebody to do it. Now, I
 19 can bring you witnesses from the other nine houses on Turtle Lane, or ten houses
 20 on Turtle Land, that they all called Carolina Water Service and got the same
 21 response. Now, that water was bubbling up out of the cement that forms the gutter
 22 around the road. It came up so long that it eroded the cement and ran straight
 23 down to a storm drain that's right in front of my driveway. That storm drain empties
 24 through a hole in my backyard; it's actually the Association's yard, it's
 25 Association's property. But, there was a steady stream of water running out of that

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1 hole for nine months. Repeated calls to Carolina Water – the customer service
2 number on the bill every month, got the same response – we don't look into things
3 like that, that's not our water. Well, the neighbor at 4 Turtle Lane had some work
4 done; he brought a plumber out. There was something wrong with the pipe on
5 Carolina Water Service's side of the meter. So, they sent a service truck out. They
6 dug up his driveway and did the repair. While their truck was there, we went over
7 and told the guy, and he was a plumber I guess, for the lack of a better term. He
8 had a backhoe. He dug the concrete up [inaudible], you know, so they could get
9 down and fix the pipe, and I took him down and showed him this water bubbling
10 out of the cement. And, without batting an eyelash, he said, yeah, that's our water
11 pipe; we'll have to do something about that, and he fixed it, which tells me right off
12 the bat that Carolina Water Service is really adamant about getting a rate
13 increase, but they could care less about the water that comes running into River
14 Hills. I don't know how much it costs, but if it cost them like my neighbor two doors
15 up that had a leak on his side of the meter, he got the bill from the water company
16 for \$650 for that leak, and he had to pay it.

17 So, my point is, Carolina Water Service, and I think the Commission that's
18 supposed to be in our interest, is more concerned with the rates and the money
19 than they are with the service they provide. And, I'd like to see something done
20 about it.

21 Ms. Clyburn, you raised some questions earlier about the quality of the
22 water. Well, the quality of the water really doesn't have anything to do with it; it's
23 the price. We're paying too darn much for this water, and I'd like to see you all do
24 something about it.

25 Thank you for being here tonight.

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[Applause]

CHAIRMAN MITCHELL: Have any questions?

[No Response]

CHAIRMAN MITCHELL: Thank you, sir.

MR. TERRENI: Mr. Ronald Wanless.

WHEREUPON, Ronald Wanless first being duly

sworn, assumes the stand and testifies as follows:

MS. BOYD: Please state your name and address for the record, please.

TESTIMONY OF MR. WANLESS:

My name is Ronald Wanless. I live at 63 Ridge Point, Lake Wylie. I've lived here for two years full time, but my wife and children have lived here for 16. I was one of those [inaudible] engineers that got to be here only on the weekends. Nevertheless, I've had my share of experience with the water system here, and I'm here to talk specifically about quality issues, as Ms. Clyburn has asked about several times.

First one is the issue at 186 Greenridge. You'd say, why would I be talking about 186 Greenridge because I don't live there. I'm the building chairman for the [inaudible] Association here at River Hills. The owner of 186 Greenridge called me because the water wasn't running away from his [inaudible] and sewage was backing up, and he wanted some help. I gave him the right phone number to call Carolina Water because my personal experience earlier in the year had shown me that you couldn't believe the number that was in the telephone directory. But, I called him back and left the number so he could call them. About two days later I followed-up to see if they had fixed his problem. I walked over to his unit and found that the video imaging system had been placed on the sewer, and the blockage

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1 location was dutifully noted on the service of the grass with colored a mark. I
2 thought, oh, no problem, they're just going to dig that up tomorrow when the
3 crew's here and fix it. That turned out not to be the case. Even though the location
4 of the mark and the subsequent blockage was well more than the five feet from
5 the [inaudible] that is the demarcation line between the owner's responsibility and
6 the water system's responsibility. Mr. Morgan of the ORS has confirmed that
7 Carolina Water is responsible for repairs beyond that five foot demarcation line.
8 Our master key identifies that five foot distance as the boundary between the two
9 systems. But, Carolina Water would not make the repairs based on their issue that
10 this was less than five feet from the sidewalk, which was owned by the
11 Association, not the owner. I find this impossible to believe that the water system
12 that is charged with ownership of the sewers would choose not to fix a plugged
13 sewer just because it was closer than five feet to a sidewalk. But, my personal
14 experience with Carolina Water tells me that they do a lot of things that's
15 impossible for me to believe. My other neighbor, Scott [inaudible], was seen in his
16 backyard digging up his sewer because it too was blocked, but they chose to
17 believe that their demarcation line should be five feet from his flower bed, not his
18 unit. *[Laughter from audience]*

19 In my case, when my sewer got plugged up, I didn't know that the number
20 in the phone directory was the wrong one, so I called the number, which turned
21 out to be a recording service in Charlotte, which had something to do with billings,
22 I gather, because they never called me back. After 12 hours, the sewage
23 [inaudible], I called a plumbing service, Roto-Rooter, who - they informed me was
24 right across the street from Carolina Water's office [inaudible] and that they would
25 be right out to fix it. After they took the toilet off and roto-rootered my sewer, they

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1 said, this blockage isn't in your property; this is about ten feet beyond the wall of
2 your unit. They said, you should call Carolina Water Service. I said, I already have.
3 They said, oh, I bet you called the wrong number; here we'll give you the right
4 number. I called them, and I will say, Carolina Water Service had a crew at my
5 location within 20 minutes. This, however, was a day late. And, they proceeded to
6 probe, tried to find the sewer beyond my unit. Eventually they located where they
7 thought it would be, and I said, oh, that's right where the guys from Roto-Rooter
8 said it would be. So, they dug it up. They dug up about 40 feet and pulled out all
9 the clay tile, which was totally jammed with roots. They also dug up about six feet,
10 10-inch diameter, sewer main and a tee and replaced that as well because it was
11 broken. But, then when I called their office in Columbia to say, I see that you finally
12 fixed your problem, I think you should pay me for my Roto-Rooter, which restored
13 flow by clearing the debris at the end of your blockage. They said, no, no, ours
14 wasn't blocked; this was your problem.

15 So, my feeling is that there's some lack of service, perhaps some lack of
16 integrity on the part of Carolina Water Service.

17 You asked a couple of times about the quality of the water. The quality of
18 the water at my house is just great, but of course, I have [inaudible] filter [inaudible]
19 to make the stuff drinkable. I've got good water. Now, with a completely new
20 sewer system, I've got fully flowing sewer. Is there anything more I can tell you
21 about my experience with Carolina Water?

22 Thank you.

23 [Applause]

24 CHAIRMAN MITCHELL: Any questions?

25 [No Response]

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1 CHAIRMAN MITCHELL: Thank you, sir.

2 MR. TERRENI: Next, Mr. Chairman, we have Steve

3 [inaudible].

4 [From Audience: He had to leave]

5 MR. TERRENI: Ms. Joan O'Brien.

6 **WHEREUPON, Joan O'Brien** first being duly sworn,

7 assumes the stand and testifies as follows:

8 MS. BOYD: If you would, please state your name and

9 address for the record?

10 **TESTIMONY OF MS. O'BRIEN:**

11 My name is Joan O'Brien. I live at 193 Riverview [inaudible]. And, unlike most of
12 the people that's spoke tonight, my husband and I are newcomers. We moved to
13 River Hills at the end of September, 2005, and we were, like the rest of you,
14 shocked when we got our water bill. We never asked about the water bill. I think
15 we didn't ask about it because there's just the two of us and we were in this
16 townhouse and we moved here from Charlotte from a condominium, and our
17 water bill was about \$20 a month. So, that was our first shock in October. In
18 January of this year, our granddaughter was with us and she took a bath in our
19 guest bathroom, and thank God she went downstairs afterward because the water
20 from the bathtub went down, up through the toilet, and out on the hardwood floors
21 in our home. So, we were new; we didn't really know what to do. So, we called
22 [inaudible], and they came and said we had a blockage and they cleaned the
23 blockage out, but it was Carolina Water company's problem. We called them and
24 they said, yes, they would fix it. So, nothing happened – January, February,
25 March, and every time we had company who used that bathroom, I was a nervous

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1 wreck that we were going to have the same problem again because we didn't
2 know how long it would take for the cracked pipe to be blocked up again. But, we
3 are very tenacious people, and we kept calling and finally in late April, early May,
4 they came out and they did all their markings and said, yes, they were going to fix
5 it. Well, weeks went by, and we were calling and calling, and nobody was coming.
6 Finally, last week we decided that we had been nice for six months and now we
7 were going to get mean. So, we called constantly, we threatened, we did
8 everything, and finally, finally this week after six months, they came out, dug down,
9 gave us new pipes, and we're in working order again.

10 But, my point is, would they wait six months to have their water bill paid? I
11 don't think so. [*Laughter from audience*] That was just uncalled for, and this rate
12 increase is just horrific.

13 Thank you.

14 [*Applause*]

15 CHAIRMAN MITCHELL: Have any questions?

16 [*No Response*]

17 CHAIRMAN MITCHELL: Thank you.

18 MR. TERRENI: Mr. Steve Yeager.

19 [*No Response*]

20 MR. TERRENI: F. J. O'Donnell.

21 **WHEREUPON, Frank J. O'Donnell** first being duly
22 sworn, assumes the stand and testifies as follows:

23 MS. BOYD: Would you state your name and address
24 for the record?

25 **TESTIMONY OF MR. O'DONNELL:**

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1 My name is Frank O'Donnell. I live at 27 Honeysuckle Woods in River Hills. We've
 2 been here 12 years. My comments tonight will be brief. My hope is that this
 3 meeting is not a charade, that you didn't come all the way up here from Columbia
 4 to let a big crowd sound off. And, then as the crowd thins out, the politicians go
 5 home, and the media's gone, then it's sort of [inaudible] noise and that's all you
 6 hear.

7 I think the price we pay for water is absolutely outrageous. There's no
 8 justification for it. There's no possible way that anybody should be paying what we
 9 pay Carolina Water. They don't pay this amount of money out in Arizona, where
 10 they're piping it in from California. They don't pay for it in Texas in areas where
 11 they [inaudible] from Mexico. You are – remind you, the public utilities commission
 12 and basically request that you act on behalf of the public and give us some
 13 justification.

14 Again, I really hope this is not just a charade. I appreciate you coming all
 15 the way up here from Columbia and at least listening, but I hope it's more than
 16 that.

17 Thank you.

18 [Applause]

19 CHAIRMAN MITCHELL: Any questions?

20 [No Response]

21 CHAIRMAN MITCHELL: Thank you.

22 MR. TERRENI: Mr. Eric Carpenter.

23 **WHEREUPON, Eric Carpenter** first being duly

24 sworn, assumes the stand and testifies as follows:

25 MS. BOYD: Would you state your name and address

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for the record, please?

TESTIMONY OF MR. CARPENTER:

Eric Carpenter. I live at 23 [inaudible] Lane, here in Lake Wylie. My wife and I became customers of Carolina Water Service in September of 2004 when we moved to this area. We, like a lot of people, got a shock with our first water bill. One of the things I want to be noted is that one of the first things we did when we closed on our new construction is we shut our irrigation system off. If any of you remember, September of 2004, this area had several tropical storms come over. In fact, according to the weather underground, for September of 2004 this area received 6.8 inches of rain, which is [inaudible] inches above normal. So, again, my yard was saturated; I cut off the irrigation immediately upon taking ownership of the property.

October, late October, we received a bill, our initial bill for 19 days, and it showed we had used 41,290 gallons of water. [Laughter from audience] My first thought being new construction, maybe I have a leak somewhere, so I called Carolina Water Service and I said, what do we need to do. And they said, we'll send a technician out, we'll check your meter to see if there's evidence of a leak. On October 19th, 2004, they sent a technician out who did a reading of our meter. There was no evidence of a leak, but they did give us our current meter reading which was interesting for me, for that 14-day period it showed from October 4 to October 19, we had used 5,000 gallons of water, over a 14-day period. So, they told me there's probably an error in our initial meter reading. So, again, I contacted Carolina Water Service, their Customer Service Department. This time rather than helpfulness though I was initially treated with outright hostility. The Customer Service representative, [inaudible] spoken to, began screaming at me over the

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1 phone – that you have an irrigation system, they use a lot of water, why are you so
2 surprised by this. I told her the irrigation system was shut off during the period in
3 question, and I asked her if she ever heard of a residential user using 41,000
4 gallons of water in 19 days when they're not [inaudible] [*Laughter from audience*]
5 She wasn't able to confirm that that was reasonable.

6 Since that time, it was obvious to me I wasn't getting anywhere with
7 Carolina Water Service. I said who can I go to to address my complaint. I was
8 referred to the Office of Regulatory Staff. In November, I began working with Chad
9 Campbell at the Office of Regulatory Staff on this issue. He was repeatedly told by
10 Carolina Water Service that it's against their policy to do any adjustment to a
11 customer's bill. We, also in March of 2005, received a copy of a letter that was
12 sent to the Office of Regulatory Staff by [inaudible] Lewis at Carolina Water
13 Service that said during periods of high consumption, it is not their responsibility to
14 explain where the water is used, because again, the basis of my argument was
15 this was just an unreasonable reading. My response to that was that Carolina
16 Water Service has a responsibility to ensure that they have proper procedures in
17 place to assess whether a meter reading is correct. I continued to call the Office of
18 Regulatory Staff and refused to accept their explanation. In May of 2005, Carolina
19 Water Service sent a technician out to do a meter test. The Office of Regulatory
20 Staff sent Chad Campbell up to be present for that test. As a result of that, we did
21 reach an agreement to split the difference of the water bills. So, I did get a \$200
22 adjustment even though that was against their policy. But, I had to spend almost
23 nine months to get that correction made. It seems to me that someone at Carolina
24 Water Service could have talked to me and we could have gone through this
25 process, had a meter test much earlier, and we could have resolved the problem.

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1 But, instead they chose to delay and be hostile any time they receive a customer
2 complaint, and that seems to be the pattern they follow regularly based on the
3 other testimony I've heard tonight.

4 Do you have any questions?

5 CHAIRMAN MITCHELL: Any questions?

6 [No Response]

7 CHAIRMAN MITCHELL: Thank you, sir.

8 [Applause]

9 MR. TERRENI: That concludes the list of witnesses
10 that we have signed up on our list. Is there anybody in the
11 audience that would like to speak?

12 CHAIRMAN MITCHELL: Please come forward. We
13 certainly want to hear everyone that's present.

14 **WHEREUPON, Jonathan Wright** first being duly
15 sworn, assumes the stand and testifies as follows:

16 MS. BOYD: Please state your name and address for
17 the record.

18 **TESTIMONY OF MR. WRIGHT:**

19 My name is Jonathan Wright. I live at 2678 Landing Point Drive. I feel like I'm kind
20 of battling "clean-up" here. I've got a few things that I want to emphasize, and
21 probably no new points, but I want to drive some of these points home if I possibly
22 can.

23 The first point I have is there's been a lot of questions about quality coming
24 from y'all up there. Not to take away from the quality issues, but please look at,
25 especially your earlier testimony early on the evening that has nothing to do with

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1 quality – don't focus just on the quality. We have a serious problem with the pricing
2 structure here. I don't care if it's the best water in the world; it is not worth the price
3 that we're paying for it. *[Applause]*

4 The next point that I want to make is, last year when I testified I didn't have a
5 clue how this actually worked. I now have an inkling. I now understand that there's an
6 ORS, which is the body that we're supposed to work with. I now understand, I believe
7 I understand, that the ORS basically works for the PSC. Make the ORS do their job.
8 Give them the funds that they need to do their job and make them do it, please.

9 Next, I'm also on the committee, the – I forgot what we called it tonight, but
10 anyway I'm on the committee representing the landing. I have sent out some flyers
11 in the landing on a couple of occasions asking people for feedback, and here I'll do
12 this for you right up front. I object – this is hearsay. *[Laughter from audience]* I
13 have had 11 people in the last two weeks – I'm sorry I'm just sick and tired of
14 crying; that's all. *[Laughter from audience]* In the last two weeks since I put out my
15 first flyer, I've had 11 landing residents call me up to tell me their horror stories,
16 and most of the horror stories are basically sticker shock. They can't believe
17 outrageous prices that Carolina Water Service is getting away with, that you all
18 allow them to get away with.

19 For instance, I'll go back to a bill of my own that I testified about last year.
20 My first water bill in the landing was \$544 for 22 days. Let me repeat that - \$544
21 for 22 days. I have a wife and two children, not a family of 20. We did not have an
22 irrigation system on after that, I promise you, and it was not set to an outrageous
23 amount. But, their prices were set to an outrageous amount.

24 Meanwhile, like I said, 11 people have come to me to talk about the
25 outrageous prices and in every case, they're talking about places that they come from

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1 before where it was either quarterly for the same amount, or you know, \$20, \$30 a
2 month. Now, currently – I even went and put in an irrigation meter just because I didn't
3 want to have brown grass all year long, and I'm still paying \$200 a month and
4 [inaudible] paying sewer on about 70% of the water I use. It's outrageous.

5 Moving on – I want to comment on – one of you asked for facts and figures
6 – the gentleman that was on the committee for commercial growth and that kind –
7 you wanted facts and figures – Mr. Wright, I think it was you. You wanted facts and
8 figures from him. Common sense, think about it. If you've got a company that is
9 looking to put in industry or open up a business and they've got to pay, and I'm not
10 sure what exactly the facts and figures are, but I've talked to Roger Schwartz on a
11 number of occasions and listen to him talk about the nightmare of the amount of
12 money that he's got to spend to put up a business inside the Lake Wylie District.
13 Now, think about it from any businessman's perspective. If you've got to pay four
14 to five times the amount to set it up and then three to four times the amount every
15 month, and you can go ten miles down the road and not have to pay that – what
16 are you gonna do? Do you really need facts and figures to figure that one out?
17 Please people, use your heads.

18 The next thing I want to point out is – I cannot understand if [inaudible]
19 maybe you will; I hope you will. But, if you decide not to separate out the Lake
20 Wylie District from the rest of the business that Carolina Water system does, given
21 the evidence that's been presented to you this evening, there is something very,
22 very wrong. Please do the right thing. Force them to show what they are doing and
23 show specifically Lake Wylie and break out the rest of the stuff. Treat us fairly
24 here.

25 The last thing that I want to point out is, and this is kind of going along with

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1 John Olson here. We're fed up. We are absolutely fed up. We're looking at our tax
2 base eroding because it's all residential. Once again, think about this – who pays
3 more taxes, residential or businesses? We're footing that bill because the
4 businesses don't want to come here. We are absolutely fed up. We are forming
5 committees, okay. We are not just a bunch of people that are ticked off and
6 saying, hey, let's just come to the hearing. We are organizing. John is not making
7 idle threats. We will organize as much as we have to to get this taken care of
8 because it is flat out wrong. You people need to do your job. You need to make
9 the ORS do their job and bring our rates down.

10 Thank you.

11 [Applause]

12 CHAIRMAN MITCHELL: Have any questions?

13 MR. HOEFER: Mr. Chairman, I do have one.

14 CHAIRMAN MITCHELL: Please.

15 **CROSS EXAMINATION BY MR. HOEFER:**

16 Q This question is for Mr. Wright, is it?

17 A Yes.

18 Q Mr. Wright, how much of your bill goes to York County, do you know?

19 A Approximately half of it, I believe.

20 Q Have you asked York County to lower your rates?

21 A No, because their rates are reasonable.

22 Q You've not asked York County to lower your rates?

23 A Once again, their rates are reasonable.

24 Q So, your answer is no?

25 A My answer is no.

1 Q Thank you.

2 A Because your rates are specifically to deliver a product. You do not treat the water.
3 You do not treat the sewage. You simply deliver a product and take the product
4 back.

5 Q To your knowledge, does York County treat the water? Does York County treat
6 the sewage?

7 A [inaudible].

8 Q Thank you very much, sir.

9 CHAIRMAN MITCHELL: Thank you, sir.

10 Yes, sir, please.

11 **WHEREUPON, Tom Smith** first being duly sworn,
12 assumes the stand and testifies as follows:

13 MS. BOYD: Please state your name and address for
14 the record.

15 **TESTIMONY OF MR. SMITH:**

16 My name is Tom Smith. I live at 938 Timber Creek Drive. I'm a developer in the
17 area, [inaudible] properties; it's my father, my uncle and I. We've developed in this
18 area for almost 20 years. I've served on different county committees over that
19 span of time. Initially I served on the One Cents Sales Tax Committee, which was
20 the first of its kind in the State of South Carolina. We were the first county in the
21 state to adopt the one cents sales tax for road improvements. Because of that, a
22 lot of money that was being targeted toward Charleston was as a reward given to
23 York County, and that's why when you drive into Rock Hill coming up from
24 Columbia, you see the four lane where it [inaudible]. So, York County over the
25 years has been active to try to handle growth. I also did serve two and half years

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1 on [inaudible] Planning Committee, and we are now trying to adopt new
2 ordinances behind the Land Use Plan. With that, there's an adequate public
3 facilities ordinance, okay. So, those are two elements over the years, and by the
4 way, with the one cents sales tax, we've adopted another one cents sales tax for
5 road improvements. So, we've done it twice in this county. Now we've got the land
6 use [inaudible]. Now we've got the ordinances that we're trying to adopt
7 [inaudible]. Within that, you can see that this county struggles with growth, but at
8 the same time it tries to be active in trying to help steer it, help promote what is
9 good growth policies, and within that, within this adequate public facility ordinance,
10 there's an urban service boundary, and the whole thing is to push the growth into
11 the urban service boundaries where you have facilities, where you have your
12 water and sewer.

13 As a conscience developer, [inaudible] we've moved within their service
14 boundary. Last year or the last year and a half, we just gave Carolina Water about
15 a half a million dollars worth of water rights. [inaudible] area; it's right down there
16 on Old Branch Road. We looked at the area to develop [inaudible] home sites.
17 They're some pretty nice homes. They range from a low price of say \$350,000,
18 \$400,000. When we went over to that area [inaudible] there's an old service
19 station on Old Branch Road that [inaudible] a leak in '92. DHEC, South Carolina
20 DHEC, had known about this leak since 1992 and done nothing about it because
21 there was no growth in the area. It was our position at that time to either drop the
22 development or proceed with extending water lines a mile and a half, so we
23 decided to do that. We contacted Carolina Water, had many discussions
24 [inaudible] with Bruce [inaudible] for a couple of years now, and I can tell you
25 Bruce has been good to work with, person-to-person. He's been responsive as far

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1 as that goes. But, as far as actually being prepared for such growth, that's another
2 issue. We went out and did our plans on extending the water line for 92 home
3 sites. Went out there and got a letter that they would serve, what is called The
4 Coves and Carolina Coves. The letter from York County came back. We
5 submitted our plans down to DHEC, and I'm waiting for the plans – and, in the
6 meantime, we went ahead and bought pipe because, you know, pipe has gone up
7 so much. It's gone up 30 to 40% in the last year. So, we went ahead and bought
8 all the pipe ready for this. At the very end, I was talking to the gal down at DHEC;
9 this was January of last year. She said, your plans are going out, you're approved,
10 you can run the line a mile and a half to get water up to that area. The
11 contamination, by the way, DHEC UST was part of this, underground storage.
12 They helped ship in a small amount to run that line, okay. Their thought was,
13 [inaudible] I was approved by DHEC for well and septic. So, I was already
14 approved. [inaudible] environmental assessments, finding out about
15 contamination, faced two environmental assessments, [inaudible], but the one
16 cents sales tax, that road is supposed to be three-laned in three years. York
17 County got out there and started rumbling around and had to [inaudible] have
18 contamination; you could have dug down into the water and contaminated existing
19 wells out there. So, we decided to run water up to that area, okay, on our own
20 account. We go up there, we get it all done. DHEC knows about it. DHEC UST
21 knows about it. We get up there – I get a call from the gal after ten days on
22 January 10, she said, we can't approve it. DHEC's not doing it. I said, what are
23 you talking about. She said, well, there's some issues about aboveground storage
24 in the area. I said, aboveground storage, this is the first I've heard of it. I mean, I've
25 been dealing with this thing for four months now. Well, you'll have to talk to

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1 somebody else. Three people [inaudible] this is on a Friday afternoon – I don't
2 know what the fellow's name was, but he said, there's an issued between York
3 County and Carolina Water, and somebody's got this – there's not enough
4 aboveground storage in this area; you're stuck, sorry.

5 So, I contacted Ralph Norman, that was that weekend, and ended up
6 talking to Earl Hunter on Monday, head of DHEC South Carolina. I said, Mr.
7 Hunter, we're in a position here – one DHEC department said go ahead and
8 another one, the UST, that knew about it, and then you've got another one, and
9 they said go ahead and extend the line, and you have another one that says wait,
10 you can't do it because we have aboveground storage issues. So, there's a
11 problem up here that has not been resolved. The only way that we were able to
12 continue because York County, the citizens of York County, footed the bill for a
13 water tower, down to 74, and I was able to get enough credits to extend that water
14 line. I talked with Bruce and those guys, and they know that we're looking at
15 another development around that corridor, and it's, you know, maybe a couple
16 hundred home sites, nice lots, one acre size, [inaudible] community, and all that
17 good stuff. But, I don't know to this day that there still isn't enough aboveground
18 storage, and when I submit the plans, I'm going to submit it to you guys, and I
19 want to know what's going on, you know, because we're out there sticking our
20 necks out there for really a reason that - we just got pulled into it.

21 You're asking us for economics. Do I like putting a half million dollars out
22 there and seeing the rate difference? No, I don't. Do you think the people I sell to
23 like it when they go out here and build these homes and then probably will not
24 plan any irrigation? No, I don't think that's fair. So, there's some issues here that
25 need to be handled because it's all a big picture, you know, here we are driving

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1 the growth in. We've got an adequate public facilities ordinance within the – what
2 is going to be adopted, our land use plan, it says, hey, you know, let's try to give
3 these utility companies the growth. Let them grow [inaudible], leave the rural area,
4 rural. Well, if you can't give it away, how can you do it? And, they – you know, we
5 give it to them. Now, I have had – been in talks with them about- they did exempt
6 us from tap fees – I will bring that up – their tap fee is \$700. Okay, for the 92 lots,
7 we got out of those because we were the ones that put the line up there so, you
8 know, we'll give them that credit on that. But, my thing is this, you know, when I'm
9 willing to pay the next tap fees, hopefully they can take that money to start building
10 some aboveground storage in this area. But, [inaudible] happening. We can't just
11 keep on giving and not receiving anything. It's just giving and receiving higher
12 rates. That is not fair.

13 I don't have anything against Bruce, [inaudible] or anybody that I've talked
14 to, [inaudible], but the overall concept is not there, it doesn't work. It doesn't work
15 with the community. It's not fair for the citizens of York County to be building water
16 towers for this area.

17 [Applause]

18 CHAIRMAN MITCHELL: Do we have any
19 questions?

20 MR. HOEFER: Mr. Chairman, I have a couple of
21 questions for Mr. Smith.

22 **CROSS EXAMINATION BY MR. HOEFER:**

23 Q Mr. Smith, you referenced that the Company gave you a break on some tap fees,
24 is that correct?

25 A On the 92 taps, we didn't have to pay that, because we extended the line up.

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1 Q And, you had a written agreement with the Company to that effect, is that right?

2 And, that agreement was submitted to the Public Service Commission and

3 approved, was it not?

4 A I assume it was.

5 Q Did the Company ask you to pay for that application process?

6 A I'm sorry.

7 Q Did the Company ask you to pay for that application process?

8 A No, I had no problems with that.

9 Q You indicated that there had been a water tank constructed. Do you know of your
10 own knowledge who legally is responsible for constructing aboveground storage in
11 York County?

12 A There seems to be a difference of opinion on contracts. So, -

13 Q To the best of you knowledge?

14 A I don't know.

15 Q You don't know.

16 A I don't know.

17 Q Thank you, sir.

18 CHAIRMAN MITCHELL: Have any other questions?

19 [No Response]

20 CHAIRMAN MITCHELL: Thank you very much.

21 MR. TERRENI: Are there any other witnesses who
22 desire to testify?

23 [No Response]

24 MR. TERRENI: Mr. Chairman, there are no other
25 witnesses. I'll review the exhibits.

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CHAIRMAN MITCHELL: Please, if you'll do that.

MR. TERRENI: This is continuing the exhibit list from the public hearing that was held last week. So, we begin with Exhibit #4, which was an exhibit by Mr. Long, a PowerPoint presentation, which was presented here tonight. Exhibit #5, again Mr. Long, a requested late filed exhibit regarding his calculations underlying his testimony. Exhibit #6 from Mr. Wetherell, yes, Mr. Wetherell, was requested to file a late filed exhibit as well. These are all the exhibits that I have received by the Commission tonight.

CHAIRMAN MITCHELL: Are we all on the same page with that?

[No Response]

CHAIRMAN MITCHELL: On behalf of the Public Service Commission, we certainly thank each and every one of you for coming out tonight. We appreciate your attendance, and we appreciate you observing this hearing and all information that has been provided to us. We certainly appreciate that.

Mr. Terreni, could you please announce once again the hearing date.

MR. TERRENI: Yes, sir.

CHAIRMAN MITCHELL: So, everyone will be aware of the hearing to be held in Columbia.

MR. TERRENI: The hearing date – there are two set

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aside by the Commission for July 20th, 2006, and July 21st,
beginning at 10:30 in the morning. That's at the Commission's
headquarters at 101 Executive Center Drive in Columbia.

Also, if you desire to stay abreast of the proceedings in
this case, you can – we invite you to visit our website where all
the pleadings and the prefiled testimony, which is testimony
filed with the Commission in advance of the hearing, is
available on-line and can be downloaded free of charge. So,
that can be a useful tool for you if you're interested in keeping
track of the proceedings and the arguments of different parties
in the case, as well as their positions.

CHAIRMAN MITCHELL: Thank you very much. Do
we have anyone else?

[No Response]

CHAIRMAN MITCHELL: At this time, we're going to
close this hearing, this particular hearing, night hearing tonight,
and we certainly welcome each and every one of you to come
to the hearing in Columbia.

Thank you very much.

*[WHEREUPON, at approximately 8:45 P.M., on
June 12, 2006, the Hearing was adjourned.]*

MaryJane Cooper, *Certified Court Reporter*
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